FILE NO: 4380-163

Outlook Study on Housing Markets in the United States

Prepared For:
CANADA MORTGAGE
AND HOUSING CORPORATION
October 18, 1999

This market analysis was prepared by The Meyers Group, an information database, market research and management consulting firm specializing in the real estate industry, for Canada Mortgage and Housing Corporation.

John Burns, senior managing director, served as engagement manager and Peter Dennehy, managing director, co-directed the research. Rebecca Wood, consultant, conducted research and assisted with the production and writing of this report. Follow-up questions should be directed to John Burns at:

The Meyers Group
1920 Main Street, Suite 200
Irvine, CA 92614
Phone: (949) 263-8755, extension 215
Fax: (949) 263-8944

Conditions of the Report

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There will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected and the differences may be material.

The Meyers Group has no responsibility to update this report for events and circumstances occurring after the date of the report.

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EXECUTIVE SUMMARY

This report on the United States housing market includes four distinct areas of analysis. They are:

1. **Regional overview**—a summary of the building activity and demand-supply balance in the largest markets across the country,
2. **Homebuyer profiles**—a summary of the typical buyer profiles and how those profiles differ in each region of the country,
3. **Materials purchasing**—a summary of the materials demanded and the criteria used to select suppliers
4. **Design centres**—an overview of how design centres are changing the way homes are built and sold.

Regional Overview

The fastest growing markets in the United States are in the South. Many of these markets are growing quickly because they are popular places to retire. Florida and South Carolina, in particular, are popular retirement destinations. Many of the retirement areas are relatively small communities, such as Naples, Fla. and Myrtle Beach, S.C.

The ideal markets to target for Canadian products will have four criteria. They are:

1. **Large**—The markets should be large enough to warrant having a sales representative in the area.
2. **Growing**—Growing markets provide more opportunities for suppliers because current suppliers may not have sufficient product to meet demand, or might be struggling with client service due to the high demand for their products.
3. **Appreciating**—Markets where demand is exceeding supply are areas where builders typically make higher profits and may be struggling to build homes fast enough to keep up with demand. In appreciating markets, builders may be more interested in customer service and availability of product than in a low price.
4. **North**—The northern markets are easier to service from Canada due to the geographic proximity.

The largest housing markets in the United States are:

Rank	Market	1999 (thru 6/99) Building Permits
1.	Atlanta, Georgia MSA	30,240
2.	New York CMSA*	26,742
3.	Phoenix, Arizona MSA**	26,630
4.	Dallas-Fort Worth CMSA	25,922
5.	Washington D.C. CMSA	25,563

*Consolidated Metropolitan Statistical Area
** Metropolitan Statistical Area

The fastest growing housing markets in the United States are:

Rank	Market	Market Hotness*
1.	Naples, Florida MSA**	36.1
2.	Myrtle Beach, SC MSA	27.7
3.	Fort Myers, Florida MSA	22.3
4.	Las Vegas, NV MSA	21.6
5.	Raleigh-Durham, NC MSA	19.1

* Annual Building Permits per 1,000 people
** Metropolitan Statistical Area

The five hottest markets in the United States for investment are:

Rank	Market	Investor Hotness*
1.	West Palm Beach, FL MSA**	3.13
2.	Los Angeles, CA CMSA	3.01
3.	New York CMSA	2.56
4.	Tampa-St. Pete, FL MSA	2.48
5.	Tulsa, OK MSA	2.19

* Last year's Employment Growth / Building Permits divided by the area's Overall Employment per housing unit. A ratio greater than 1.0 means that recent employment-generated housing demand is exceeding recent supply.
** Metropolitan Statistical Area

The five markets that are projected to be the best investments over the next five years (based on projected employment, population and households will grow more quickly than housing supply) are:

Rank	Metropolitan Area	Demand Exceeds Supply by:
1.	Los Angeles-Long Beach, CA	81%
2.	Salt Lake City-Ogden, UT	48%
3.	New York PMSA*	43%
4.	Fort Worth-Arlington, TX	43%
5.	Austin-San Marcos, TX	40%

*Primary Metropolitan Statistical Area

Several of the 58 metropolitan areas in the United States that we analysed fit all of the above criteria. They include New York, Chicago, Washington D.C.-Baltimore and Minneapolis. These large housing markets are projected to have employment and population growth that supports more demand for housing than is being supplied.

It is also worth noting that several small states, many of which are near the United States—Canadian border, rank highly with respect to investment prospects. Although building activity in these states is relatively small, development is likely to increase and large suppliers are less likely to be focusing on these markets. These states include Iowa, Montana, Delaware, Maine, Vermont and Connecticut.

Changing demographics are affecting the demand for housing and the way homes are designed, built and marketed. The greatest racial diversity is in the West, where almost 39 per cent of the residents are non-white. The Midwest has the least racial diversity. The disparity of race and ethnicity across the United States is summarized as follows:

Whites—84 per cent of the Midwest population and only 61 per cent of the West
Hispanics—22 per cent of the West population and only four per cent of the Midwest
Blacks—19 per cent of the South population and only five per cent of the West
Asians—Nine per cent of the West population and only two per cent of the Midwest

HomeBuyer Profiles

There are seven primary homebuyer profiles. These buyer profiles and their distinct needs, are as follows:

1. **Entry-Level Buyers**–Affordability and low-cost maintenance are most important. These buyers are typically 25 to 32 years in age. Lowest-cost building materials are typically used.
2. **First Move-Up Buyers**–These buyers are more discriminating because they have owned a home that was typically constructed with lower-quality materials. The homes are larger to accommodate families. Upgraded kitchens and cabinets are often demanded.
3. **Second or Third Move-Up Buyers**–These buyers expect high quality and larger rooms. Upgraded kitchen and bathroom fixtures, large entertainment rooms and master bedrooms and an abundance of storage space are all important.
4. **Executive Buyers**–With the continued increase in population aged 45 to 55, this buyer profile is growing quickly. Recent increases in the U.S. stock market have also created significant wealth for many individuals. Executive buyers typically purchase top-of-the-line appliances and fixtures, walk-in closets and three-to-four-car garages.
5. **Empty-Nester Buyers (no children in the home)**–These buyers are often pre-retirees who desire a newer home with less maintenance. They are saving for retirement, so they are interested in affordability and energy efficiency. Floor plan efficiency and quality construction are very important to these buyers.
6. **Retired Buyers**–These buyers are often relocating to areas with better weather and lower housing prices. They are discriminating buyers who care about the quality of the home. They will conduct significant research before purchasing. A modern kitchen, an open floor plan (for entertaining) and energy efficiency are important to them.
7. **Urban Lifestyle Buyers**–This growing buyer profile consists mostly of childless professionals aged 35 to 50. They prefer the culture of the city to the peace and quiet of the suburbs. They are relatively affluent and will pay extra for the highest-quality interior features.

There are other differences. Generally, the preference is for more traditional styling that places greater emphasis on wood accents and millwork products in the Midwest, Northeast and some areas of the South. Entry-level, empty-nest and retired buyers prefer lower-cost homes that are easy and inexpensive to maintain; thereby requiring fewer expensive upgrades or speciality products.
Furthermore, the growing homeownership among minorities has many implications for the building industry and manufacturers of building products. Since some minority groups (particularly Asians) prefer to buy new homes, there will be increased demand for new home design and products that will appeal to a more diverse buyer market.

Materials Purchasing

Quality and price are the most important criteria in making purchasing decisions. Speed of delivery is also an important factor—within two weeks was cited as the ideal delivery time, four weeks is considered too long. Excellent customer service is expected and would be a reason for switching suppliers.
Nationality is not an important factor in materials purchasing decisions. This indicates no cultural barriers to Canadian suppliers. However, concern with the speed of delivery may be a practical constraint in meeting the needs of homebuilders in certain areas of the country.
There have been some building materials shortages in the past few years, particularly with respect to windows, doors and roofing. These shortages appear to provide opportunities for new suppliers to address the U.S. home building industry (as adequate supplies can be delivered as needed and within the required timeframe).
Homebuilders will generally not pay more for quality unless buyers will also pay more. The more affluent buyers are most interested in upgraded windows, doors and cabinets.

Design Centres

Nearly two-thirds of those surveyed reported that the use of design centres was important to their company strategy. For these builders, upgrades and options are an important component of projected profit.
The more expensive the home, the more buyers will spend on options as a percentage of the total purchase price. Options packages typically range from four per cent of the lower-priced homes to nine per cent of the more luxurious homes.
For less expensive homes, the trend is to build a home with very few standard features and allow the buyer to choose where to spend his upgrades. In some markets, such as Southern California, this trend has extended to features that are considered standard in many markets, such as fireplaces.
For more expensive homes, the trend is to conduct significant market research and build a home with "Everything Included." Lennar, which is one of the largest and most respected homebuilders in the United States, is adopting this strategy. The benefit is a less-complicated construction process, which results in labour and financing cost efficiencies. Buyers still choose upgrades, but the upgrades are typically higher-quality materials, rather than added features.

REGIONAL OVERVIEW

Within this section, levels of home building activity in U.S. metropolitan areas, regions and states are discussed relevant to the number of building permits issued, the housing growth rates (market hotness) and the likelihood of appreciation (investor hotness). We collected data on the total number of permits issued in each of 328 metropolitan areas. We consolidated 73 Primary Metropolitan Statistical Areas (PMSAs) into 18 Consolidated Metropolitan Statistical Areas (CMSAs). This resulted in an analysis of 18 CMSAs and 255 Metropolitan Statistical Areas (MSAs). We then selected the markets with at least 5,000 yearly building permits, assuming these areas would be of most interest to Canadian manufacturers and suppliers of building products and services. The result was an analysis of 58 metropolitan areas: 18 CMSAs and 40 MSAs.

Home Building Activity

Building Permits Issued

The number of building permits issued is the primary measure of building activity in a given housing market, region, or state. Major metropolitan areas, national regions and individual states were ranked by the total number of building permits issued in the first half of 1999. The five largest markets are:

Rank	Market	1999 (thru 6/99) Permits
1.	Atlanta, Georgia MSA	30,240
2.	New York CMSA	26,742
3.	Phoenix, Arizona MSA	26,630
4.	Dallas-Fort Worth CMSA	25,922
5.	Washington D.C. CMSA	25,563

These five markets were also the five largest markets in 1998. Except for Dallas, whose permits have slowed two per cent in 1999, all five markets are on pace to record more permits in 1999 than 1998. The top 40 markets in the United States all had at least 4,300 building permits recorded in the first six months of 199. A summary of the top 40 markets according to 1999 building permits is included as Exhibit II-1.

Atlanta, Georgia, was the top metropolitan area with 30,240 total permits issued in the first half of 1999. Atlanta was also the top area in 1998, with total permit issuance of 57,803 permits, which was a 16 per cent increase over 1997. Atlanta's growth rate for permit issuance continued during the first half of 1999, with an increase of 11.2 per cent over the same period in 1998.

Most of the large housing markets are in the southern area of the United States. Of the 58 market areas with at least 5,000 permits in 1998, 28 (48 per cent) are in the South, 13 (22 per cent) are in the West, 12 (21 per cent) are in the Midwest and five (nine per cent) are in the Northeast. (See Exhibit II-2.)

Among the top 10 states, five are in the South (Florida, Texas, North Carolina, Georgia and Virginia), three are in the Midwest (Ohio, Michigan and Illinois) and two are in the West (California

and Arizona). The highest ranking Northeastern states are Pennsylvania (13th) and New York (15th). The states with large population concentrations in metropolitan areas and large areas of undeveloped land (Texas and California, for instance) rank significantly higher than states with equally large concentrations of population but with much smaller areas of available land (such as New York or New Jersey). Because the United States population grew in the east first and then spread west over time, many of the Northeastern metropolitan areas have little land left on which to build new housing. Exhibit II-3 shows the ranking of the 50 states in descending order by the number of permits issued during the first half of 1999.

Market Hotness

The *Market Hotness Index* is a measure of growth within a given housing market. It is the ratio of the number of annual building permits per 1,000 people. We calculate a *Market Hotness Index* for each market based on total permits as well as single-family permits. The United States average Market Hotness ranking is 6.1 (6.1 permits per 1,000 people). The five fastest growing markets in the United States are:

Rank	Market	Market Hotness
1.	Naples, Florida MSA*	36.1
2.	Myrtle Beach, South Carolina MSA	27.7
3.	Fort Myers, Florida MSA	22.3
4.	Las Vegas, Nevada MSA	21.6
5.	Raleigh-Durham, North Carolina MSA	19.1

*Metropolitan Statistical Area

Among the ten hottest markets, eight are in the South and two are in the West. Among the 20 hottest markets, 14 are in the South and five are in the West. Indianapolis is the only Midwest market and there are no Northeast markets. Therefore, not only are the markets with the most permits located in the South, but the fastest-growing markets in the United States are also in the South. The West is the second fastest growing region.

The growth in the South is not confined to large metropolitan areas. Several of the metropolitan areas in the Southern region that ranked among the fastest growing markets did not rank among the top 40 markets for total permits issued. The best examples are Naples, Florida and Myrtle Beach, South Carolina, which only had 6,844 and 5,228 permits in 1998, respectively, yet were the leaders for the country in Market Hotness. The Southern region has a number of relatively small markets that are growing quickly. Exhibit II-4 shows the ranking of metropolitan areas by their market hotness in the first half of 1999. Exhibit II-5 summarizes the metropolitan areas by region.

All 10 of the fastest growing states are either in the West or the South. The top three (Nevada, Arizona and Colorado) are in the West. Six of the top 10 are in the West and four are in the South. Nevada ranks the highest among the states for market hotness, with an index of 19.0. despite a 12.3 per cent decrease in its market hotness since 1998. North Carolina (ranked fourth) is the highest ranked among the Southern states, with an index of 11.4, which is a 14.2 per cent increase from 1998. Delaware (14th) is ranked highest among the Northeastern states with an index of 7.3 and

Wisconsin (15th) leads the Midwestern states with an index of 6.9. Exhibit II-6 shows the market hotness ranking of the individual states.

Investor Hotness

The *Investor Hotness Index* (IHI) is designed to help builders and investors monitor supply and demand conditions in each market. The *Investor Hotness Index* is an estimate of the demand and supply balance in each market. The IHI is calculated as follows:

12 Months Total Employment Growth / Total Permits
Each Area's Total Employment / Total Housing Units

In our opinion, employment growth is the most important determinant of housing demand and building permits are the best measure of supply. Therefore, the IHI measures the balance of demand and supply by comparing the ratio of recent employment growth / building permits to an area's overall ratio of employees / housing units. An IHI greater than 1 means that demand exceeds supply. This index is useful not only to investors but also to suppliers who are looking for markets where opportunities exist for entrepreneurial investment, or where there are a large number of new home building companies who may be looking to form new relationships. It has been our experience that new home building companies are formed in markets where the investment outlook is very positive.

The five hottest markets in the United States for investment are:

Rank	Market	Recent Empl. Growth/ Building Permits	Total Empl. /Housing Unit	Investor Hotness
1.	West Palm Beach, Fla. MSA*	2.81	0.90	3.13
2.	Los Angeles, Calif. CMSA**	3.47	1.16	3.01
3.	New York CMSA	3.06	1.20	2.56
4.	Tampa–St. Pete, Fla. MSA	2.51	1.01	2.48
5.	Tulsa, Okla. MSA	2.60	1.19	2.19

* Metropolitan Statistical Area

**Consolidated Metropolitan Statistical Area

These areas are experiencing strong employment growth and demand for housing is not being met with the current levels of housing production. This pressure is most prevalent in areas where the supply of housing is slow to meet the growing demand due to lack of buildable land and rising costs of development (for example., Los Angeles and New York). Among the 10 hottest investor markets, five market areas are in the South, two are in the Northeast, two are in the Midwest and one is in the West. It is also worth noting that both Florida markets (West Palm Beach and Tampa) have a low number of existing employees per housing unit because these are significant retirement communities. See Exhibit II-7.

Although the Northeast has only five markets with at least 5,000 permits, these areas have very high investor hotness indices. New York, Pittsburgh, Boston and Philadelphia all have excellent prospects for home price appreciation. The areas are broken out by region in Exhibit II-8.

Some of the metropolitan areas with significant building activity are not necessarily the best places for investment. Specifically, Phoenix and Las Vegas are both in the top 10 in number of permits, but are in the bottom third with respect to investment outlook. Denver is also an area that may be getting overbuilt.

The hottest states for investment are New York and California It is also interesting to note that the states of Iowa (third), Montana (fourth), Maine (fifth), Vermont (seventh), Delaware (ninth) and Connecticut (15th) did not have any metropolitan areas that met the criteria for number of permits issued, yet they rank relatively high for investor hotness. This would indicate that within these states the overall volume of permits issued in metropolitan areas may be relatively low, but employment growth is nonetheless increasing the demand for housing. As such, there may be relatively small but robust markets within these states that offer investment potential. See Exhibit II-9.

Demand and Supply Analysis

The assessment of demand for new housing in a given area is an iterative process. It begins with a review of demand based on macro-economic factors and is then refined based on market research and opportunities and constraints that are specific to a local area. Generally, the demand for housing is generated by growth in three economic and demographic factors: population, household formations and employment opportunities.

Economists have proven that housing demand in any given market area is highly correlated with employment growth. Population and household formation growth also affect housing demand, but to a much less degree than does employment growth. Therefore, we have subjectively determined that a 60 per cent weighting on employment-generated demand and a 20 per cent weighting each on population and household generated demand best reflects the projected demand for housing in a market area[1].

For the purposes of this report, we selected the 40 largest housing markets in the United States, using the total number of building permits issued in 1998 for each Metropolitan Statistical Area (MSA) as the determining criteria. Our estimates for demand shown in Exhibit II-10 for each of these 40 metropolitan areas are based on forecasts from several economic and demographic sources for growth in employment, population and households. These sources include Regional Financial Associates, CACI Marketing Systems and U. S. Housing Markets.

Once an estimate for overall market demand is generated, a ratio is calculated between this estimate and an estimate for housing supply, which is based on the projected number of building permits issued over the same period. A ratio of less than 1.0 indicates an oversupply of housing units. Conversely, a ratio of more than 1.0 is an indicator of the demand exceeding the supply.

Exhibit II-10 ranks the 40 largest housing markets by the projected demand/supply ratio over the next five years. It is reasonable to assume that the markets showing the greatest potential for an undersupply of housing are those that are expected to have lower levels of building activity. Reasons for this vary from area to area, but are most attributed to the lack of buildable land within the metropolitan area. For example, the Los Angeles–Long Beach metropolitan area has the highest

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[1] The 60/20/20 ratio has not been statistically proven because so many factors affect demand (such as levels of income and consumer confidence, housing costs, mortgage rates and so on.). However, we believe it is a reasonable methodology because it is based on existing ratios of employment and population per housing unit.

demand/supply ratio of 1.81. This is an area that is experiencing high levels of job and population growth, but is largely built-out and has very little land on which to build new housing. Much of the demand for housing is subsequently being absorbed in the outlying counties of Riverside, San Bernardino, Orange and Ventura. The following table ranks those housing markets with the greatest potential for appreciation.

Rank	Metropolitan Area	D/S Ratio
1.	Los Angeles-Long Beach, California	1.81
2.	Salt Lake City-Ogden, Utah	1.48
3.	New York, New York	1.43
4.	Fort Worth-Arlington, Texas	1.43
5.	Austin-San Marcos, Texas	1.40
6.	Tampa–St. Petersburg-Clearwater, Florida	1.38
7.	San Diego, California	1.36
8.	Orange County, California	1.31
9.	Kansas City, Missouri–Kansas	1.26
10.	San Antonio, Texas	1.24

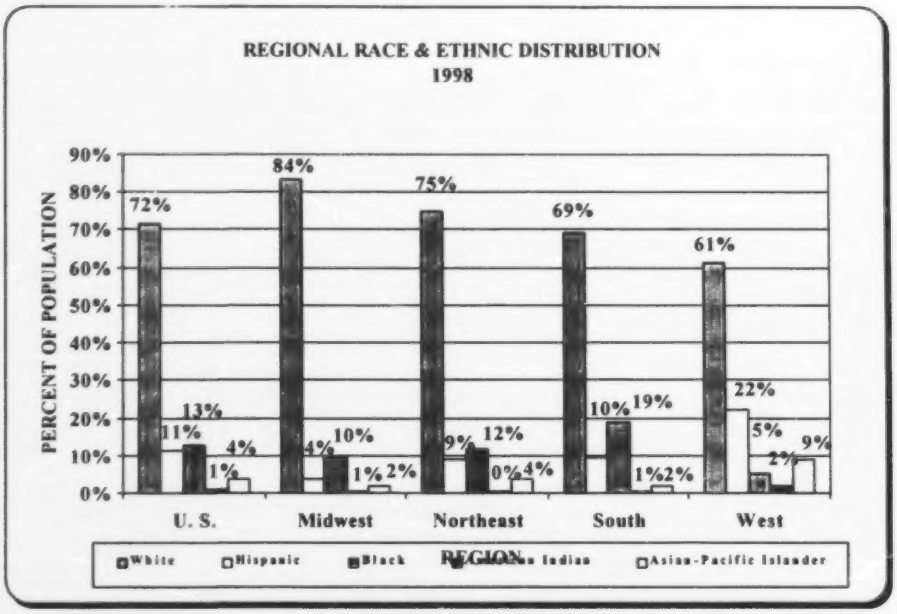
Of the 10 metropolitan areas that show the greatest potential for appreciation in home values, four are in the South, four are in the West, one is in the Midwest and one is in the Northeast. The fact that the South and West regions dominate in this scenario is not surprising given the projected levels of population growth forecasted for these regions. According to the Harvard Joint Center for Housing studies, although many of the nation's largest cities are located in the Midwest and Northeast, many of these cities continue to lose population. In contrast, the strong economic growth and subsequent employment growth, in many areas of the South and West continue to attract both citizens and foreign people to these areas. Furthermore, all domestic and foreign migration and immigration patterns indicate that the South and West are favoured among most people, regardless of their moving to a metropolitan or non-metropolitan area.

Minority and Ethnic Groups' Contribution to Housing Demand

Accounting for more than one quarter (28.4 per cent) of the total United States population in 1998, non-white and foreign-born households are important contributors to housing demand. Variations in living arrangements differ between native-born and foreign-born populations as well as among groups of varying races and ethnic backgrounds. For example, a larger proportion of immigrants under the age of 45 head married-couple families than do native-born households of the same age group. Asian and Hispanic households are also more likely to have adult siblings or other family members living with them and Asians are the least likely of all groups to be single parents. These cultural patterns have strong implications for future housing demand as homeownership rates differ not only among groups of varying racial and ethnic composition in general, but also among these groups in different regions of the United States.

The greatest racial diversity is in the West, where almost 39 per cent of the residents are non-white. The Midwest has the least racial diversity. The disparity of race and ethnicity across the United States is summarized as follows:

Whites—84 per cent of the Midwest population and only 61 per cent of the West
Hispanics—22 per cent of the West population and only four per cent of the Midwest
Blacks—19 per cent of the South population and only five per cent of the West
Asians—Nine per cent of the West population and only two per cent of the Midwest



Region	Distribution of Race and Ethnicity from 1990 ⇒ 1998				
	U. S.	Midwest	Northeast	South	West
White	75.0% ⇒ 71.6%	85.5%⇒ 83.5%	78.3%⇒ 75.0%	72.3%⇒ 69.2%	65.8%⇒ 61.3%
Hispanic	9.0%⇒ 11.1%	3.1% ⇒ 4.0%	7.3% ⇒ 8.9%	7.6% ⇒ 9.5%	19.0% ⇒ 22.3%
Black	12.2% ⇒ 12.6%	9.5% ⇒ 10.0%	11.5%⇒ 12.0%	18.1%⇒18.7%	5.5%⇒5.4%
American Indian	0.8% ⇒ 0.9%	0.6% ⇒ 0.6%	0.3% ⇒ 0.3%	0.7% ⇒ 0.7%	1.9% ⇒ 1.9%
Asian–Pacific Islander	3.0% ⇒ 3.8%	1.4% ⇒ 1.8%	2.7% ⇒ 3.8%	1.3% ⇒ 1.9%	7.9% ⇒ 9.0%

Source: U. S. Census, Population Estimates (Sept. 1999): No. ST-98-21.

Just as the distribution of populations of differing racial and ethnic backgrounds varies regionally, so do proportional changes over time. As indicated in the table above, 75 per cent of the United States population in 1990 was comprised of Whites and 25 per cent was comprised of population groups of other races and ethnic backgrounds. Hispanics as a percentage of total population in the United States increased from nine per cent in 1990 to 11.1 per cent in 1998. The two regions that absorbed the largest amount of Hispanic population increase were the South and West. Between 1990 and 1998, Hispanics increased from 7.6 per cent to 9.5 per cent of the total population in the South and from 19.0 per cent to 22.3 per cent in the West. The Asian population had the second largest increase between 1990 and 1998. While the increase nationally was relatively small, three per cent to 3.8 per cent, the Northeast and the West were the two regions that absorbed most of the increase in the Asian population over that eight-year span. During that time, the Asian population increased from 2.7 per cent to 3.8 per cent of the Northeast population. In the West, the Asian population increased from 7.9 per cent to nine per cent of the population between 1990 and 1998.

The U.S. Hispanic population is growing quickly. Arizona, California and Texas had the largest increase in Hispanics as a percent of total population between 1990 and 1998. During that time, Hispanics in California increased from 25.5 per cent to 30.3 per cent of the total population and Texas' Hispanic population increased from 25.5 per cent to 29.3 per cent of the population. Arizona's Hispanic population increased from 18.7 per cent to 21.8 per cent of the population between 1990 and 1998. Reasons for these states absorbing the majority of the Hispanic population increase involve both economic and geographic factors. Due to the location along the southern border, California, Arizona and Texas received much of the increase due to immigration of people from Mexico and South America. Additionally, these three states have also experienced robust economies over the last several years, which is highly attractive to immigrant and foreign-born populations who migrate to areas in search of employment. By the year 2004, the metropolitan areas of Los Angeles, Phoenix, San Antonio, Orange County, Miami and Riverside-San Bernardino will all have Hispanic populations exceeding 25 per cent of the total population (see Appendix E).

The Asian population is also growing quickly. The growth in the Asian population is very important to monitor because, although statistics are not available due to the U.S. regulations, we have found that Asians have a significant cultural preference for buying new homes. New Jersey, New York, Washington, Nevada and California were the states with the largest increases in Asians as a percent of total population between 1990 and 1998and major metropolitan areas within these states are projected to hold the largest concentrations of Asians in 2004. Although the increases seem small in comparison to that of Hispanics (0.8 per cent increase of total U. S. population), Asians showed the second largest increase of all racial groups. Between 1990 and 1998, Asians increased from 3.6 per

cent to 5.5 per cent of the state of New York's total population and from 3.9 per cent to 5.3 per cent of New Jersey's population. California, Washington and Nevada all had increases of 1.3 per cent in the Asian population between 1990 and 1998. According to the U. S. Census Bureau, most of the increase is attributable to immigration from overseas. This would explain the increases seen in California, Washington, New York and New Jersey, whose major cities (Los Angeles, Seattle, New York) are points of entry for Pacific Rim immigrants. Additionally, these areas offer many employment opportunities for newly arrived immigrants. Due to the location of Nevada, which is inland from coastal or border areas, its growth in Asian population is likely to have resulted from a combination of natural increase as well as migration from other areas in the country.

These trends of increasing ethnic and racial groups in various regions and states are expected to continue and homebuilders will need to continually monitor the demographic composition and profiles of potential homebuyers within various market areas. This is especially true for such states as Arizona, California, Texas, Nevada, Florida and Washington. Home preferences of various ethnic groups is discussed in the next section.

Conclusions

The Southern portion of the United States is where the bulk of the building is occurring. Many of these markets are also among the fastest growing in the United States, with several small, retirement communities (Naples and Myrtle Beach) as the fastest growing areas in the country. Florida provides substantial opportunities because it is the most active housing state in the country and is projected to continue to grow as the U.S. population increases the number of retirees over the next thirty years.

We also suggest that Canadian suppliers focus on large markets where the number of building permits are growing and the investment outlook is also very good. These markets include some very large markets, many of which are closer to the Canadian border. They include:

Market	Permit Ranking	Investment Ranking	D/S Ranking
New York	2	3	3
Los Angeles	6	2	1
Chicago	7	6	15
Tampa	20	4	6
Philadelphia	17	13	26
Minneapolis	19	15	13

It is also worth noting that several small states, many of which are near the United States–Canadian border, rank highly with respect to investment prospects. Although these states are small, development is likely to increase and large, United States suppliers are less likely to be focusing on these markets. These states include Iowa, Montana, Delaware, Maine, Vermont and Connecticut.

Changes in demographic composition of racial and ethnic groups will also impact the demand for housing, particularly in the West and the South where there are increases in the diversity of the population. The impact of these population changes on housing demand will be seen in preferences for housing type, style, size and features as more Asians, Hispanics, Blacks and other non-Whites

enter the home buying market. We suggest that suppliers of Canadian products that appeal to a diverse market target those regions with a growing diversity.

HOMEBUYER PROFILES

The Harvard Joint Center for Housing Studies projects that the number of United States households will increase by an average of 1.1 to 1.2 million annually over the next decade. Immigration will contribute about one quarter of this growth, about 65 per cent of the increase will result from children leaving home to head independent households and the remainder will result from increased divorce rates and declining remarriage and marriage rates. One of the impacts of these demographic trends has to do with changes in the age and number of certain population groups either entering into homeownership or making changes in the type, cost and size of housing they own.
The overall aging of the population as the Baby Boomers reach their 40s, 50s and early 60s will contribute to increased homeownership rates and home values. As indicated in the table below, homeownership rates will continue to increase across all age groups, but shows the largest increase for those in their pre-retiree and retirement years (aged 55 and over). The impact of the aging of the population will last well into the next decade and be evidenced by rising homeownership rates, strong homebuilding and remodelling activity and robust home sales.

Projected Homeownership Rates by Age of Household Head—2000-2010			
	2000	2005	2010
Total	67.1%	68.3%	69.2%
Under Age 25	16.8%	16.8%	16.8%
Age 25 to 34	45.6%	45.9%	45.7%
Age 35 to 44	66.1%	67.1%	67.9%
Age 45 to 54	75.7%	75.5%	76.0%
Age 55 to 64	79.9%	80.7%	81.2%
Age 65 to 74	81.7%	82.1%	82.9%
Age 75 and over	77.1%	78.8%	79.8%

Source: Joint Center for Housing (1999). State of the Nation's Housing 1999. Joint Center for Housing Studies: Harvard University.

Changes occurring in today's population have many implications for the future of home building. Areas that currently have low proportions of elderly residents, such as the Western, Mountain and Southeast states, will see a dramatic growth in senior households over the next 20 years as many entering retirement will seek retirement housing that is low cost and located in less urbanized areas. Although homeownership is most prevalent among those 45 years of age and older, homebuyers are becoming increasingly more diverse in age, marital status, race, ethnicity and household composition than ever before. As such, sustaining the recent rise in homeownership rates will depend on the production and provision of housing that increasingly meets the preferences, needs and affordability levels of varying segments in the home buying market.

Homebuyer Profiles

To better capture a particular segment in an increasingly diverse homebuyer market, many builders plan, design, build and market their products for specific "homebuyer profiles" for which there are

demonstrated demands in a market area. Homebuyer profiles are general to the home buying population and are defined by a household's socio-economic composition as well as housing preferences and needs. The focus is more specifically on the choices made by individual households and the changing patterns of housing distribution across the buyer profile segments.

There are seven primary homebuyer profiles, which are:

Entry-Level or First-Time Homebuyers
First Move-Up Buyers
Second or Third Move-Up Buyers
Executive or Luxury Buyers
Empty- or Never-Nester Buyers (no children in the home)
Retired Buyers
Urban Lifestyle Buyers

These buyer profile segments are distinguished by differences in households' age, income, household composition, type of employment, motivations, sensitivities, preferences and affordability. These socio-economic characteristics differ across all segments of buyer profiles and greatly influence the type, cost, size and location of housing preferred and afforded by households in each segment. Using information from Professional Builder Magazine's 1999 Homebuyer Survey, The Meyers Group's Vision 99 and other sources on buyer profiles, a brief description of the most common characteristics of each homebuyer profile segment is listed below. For more details on buyer profile segments, refer to Exhibits III-1 and III-2.

Entry-Level or First-Time Homebuyer

Just a decade ago, the average age of this group was between 25 and 32 years of age, but rising costs of housing and increasing constraints to raise enough for a down payment have delayed the home buying ability for many young households. Average yearly household income for this age group ranges between $25,000 and $35,000. Although many in this age group would qualify for a mortgage between $70,000 and $100,000, few builders are willing or able to build product that is affordable for this segment. Furthermore, the total number of people between the ages of 25 and 32 years of age, also known as the "baby busters," is decreasing. As such, the demand for entry-level homes is growing among older age groups, particularly those aged 35 to 42 years, who have been able to raise enough down payment and achieve household income levels that are adequate to purchase an entry level home in today's market.

Being new to home owning, two key elements are important to first-time buyers: affordability and ease of maintenance. Although half of first-time buyers would prefer a detached home, high prices often influence the decision to purchase an attached home. Small-lot detached housing is also attractive to this group, because few have enough discretionary income or time to spend on landscaping, yard and home maintenance. Their first choice is newly built housing in an established neighbourhood and their second choice is new housing in a new subdivision. Most first-time buyers were previously renters of their own units and their greatest motivation for buying was to be able to apply a payment to owning rather than to renting (76 per cent).

In the United States, mortgage payments are deductible from taxable income, providing a reduction in taxes owed to the federal government. Buying for tax shelter reasons is a motivation for fewer than 19 per cent of first-time buyers. Traditional architecture and detailing is preferred by about 43

per cent of entry-level buyers and 14 per cent prefer the simple, classic styling of a New England Cape Cod-style home. Desired elements are for more space (56 per cent), ability to personalize to their needs and tastes (28 per cent), a modern kitchen (31 per cent), a two-car garage (58 per cent) and a master retreat (29 per cent). Average housing cost for this group is $120,000, with an average monthly payment of around $800.

First Move-Up Buyer

This group is typically five years older than first-time buyers and has an average yearly household income of $35,000 to $50,000. Having some experience as homeowners, they tend to be more demanding and exacting in what they want in a new home. Most of the first move-up buyers have accumulated some equity in their previous home, which they often apply to the down payment or upgrades in a new home, or both. The average price of a home for this group is $189,000, with a monthly payment of about $1,000.

The first move-up stage is also when many homeowners first enter ownership of a single-family detached home. The most common motivation for the first move-up home buying decision is for more space to accommodate a growing family (49 per cent), with only 20 per cent buying for tax shelter reasons. Because many in this profile segment have young families, location in a good neighbourhood with good schools is another factor influencing the decision to buy. Convenience to work, shopping and amenities for children are extremely important to this group. Design elements desired by this group are indoor–outdoor living and entertaining areas such as family–media rooms, porches, patios and ample yard space. Upgraded kitchens and cabinets, master retreat with sitting area, walk-in closets and extra-storage areas are also important.

Second and Third Move-Up Buyer

While townhomes or condominiums in amenity-oriented settings (such as golf, marina or resort) comprise a portion of homes for this group, the single-family detached home is by far the most common type of housing for second and third move-up buyers. With higher incomes and a greater amount of equity to put towards the purchase of a home, these buyers are able to buy more house, with higher quality and more upgrades than the previous two buyer profiles. The average purchase price for this group is in the mid-$200,000s ($265,000), with an average down payment of $80,000 and an average monthly mortgage payment of $1,500.

Space, quality and upgrades are key elements for buyers in this group, who want and expect an abundance of all three. The most characteristic household type is a married couple with two or more children, with at least one child in its teens. As such, family-oriented neighbourhood amenities such as good schools, convenient access to shopping and proximity to recreational areas is also very important. Desired elements in a new home are upgraded kitchens and baths, large family room–entertainment areas, large master suites with retreats and private bath, two-or three-car attached garages and an abundance of storage space. This buyer segment is large and increasing due to the aging of the baby boomer population (born between 1946 and 1964) and many homebuilders are currently targeting this buyer profile because there are not enough existing large homes to meet the demand.

Executive/Luxury Buyer

This is the most status-conscious of all the buyer profile segments and this group is most interested in making a statement with their home. Achieving prestige is the key motivation among these buyers and they express it in every facet of the home's interior and exterior styling and décor. Besides desiring spacious interiors, a home office or library is fundamental to their home's components as are entertainment areas (formal dining room, game or media room), kitchens with top-of-the-line appliances and fixtures, his and hers master baths with walk-in closets and three- or four-car attached garages.

Home values among this group vary widely and depend largely on geographic location and housing costs in a given area. For example, in areas where housing costs are moderate, luxury home prices begin in the $400,000 range. By comparison, in housing markets such as those found in many metropolitan areas, prices for luxury housing begin in the $800,000-to-$1 million range. Regardless of geographic location of products built for this market, similar elements are a prestigious address, spaciousness and high-profile and status-evoking styling and features. It should be noted that this buyer profile comprises the smallest and most stable proportion of all homebuyers, but that many builders are increasingly building for this group.

Empty- and Never-Nester Buyer

These buyers are also known as "move down" buyers. The simple life and house is the mantra of this buyer profile and the tune they are singing says the smaller house (59 per cent) with less maintenance (43 per cent) is their heart's desire. Many within this group are in their pre-retiree years (50 to 60 years old) and are planning to remain in the home for about 16 years, or at least until the early part of their retirement. As such, they are concerned about the floor plan layout suiting their needs over time (65 per cent), affordable price (61 per cent) and energy efficiency (43 per cent). More than a third, 37 per cent, would spend an extra $2,000 at the time of construction for energy-saving features and products if it saved up to $250 a year in heating and cooling costs.

For the most part, empty-nesters want a detached single-level production house of less than 2,000 square feet for which they will pay around $149,000, or an average monthly payment of $850. Two-thirds of these buyers (65 per cent) realize that finding this home will entail moving to another town or the outlying suburbs. This buyer profile segment is large and growing, but the market is undersupplied because most builders are not addressing the demand of this group due of their desire for smaller, single-level, lower cost housing.

Retiree Buyer

Similar to empty-nesters, retirees want less space and less maintenance in their next home and they plan to remain in the home the longest period of time (an average of 18.5 years) compared to any other buyer profile segment. Retirees expect to pay an average of $140,000 for their retirement home and pay a maximum monthly payment of about $800. Many pay all cash or with a significant down payment in order to avoid the monthly expense of a mortgage. About three-fourths of retirees prefer a single-level detached house, but would accept a two-storey townhome if the master bedroom was on the first level. Most would prefer to build their own home, but they find master-

planned new home communities acceptable for the features of security, swimming pools and a clubhouse.

Factors that are important to retirees' purchase decision are security, the home warranty and the use of brand name products. Not surprisingly, the highest-ranked feature was that of storage and traditional architecture—favoured by 51 per cent of retiree buyers. Other popular features are a master retreat, efficient energy systems, a modern kitchen, an open floor plan and a bigger garage.

Urban Lifestyle Buyer

This buyer profile has emerged in size rather recently, reflecting the trends seen in many urban areas that have undergone redevelopment and are attracting residents back to the urban core neighbourhoods. For the most part, buyers in this group tend to be childless professionals between the ages of 35 and 50 years of age who desire to live not only near their places of employment but also near entertainment and cultural centres of the city. Relatively affluent, housing prices for this group start in the mid-$200,000 range and go into the millions. Since urban living in established areas is the motivation of this group, single-family detached housing is rare and mid- to high-rise condominiums or townhomes are the most prevalent type of housing purchased by this homebuyer. Urban and upscale describe the preferences of this buyer segment. Similar to upscale, luxury renters, urban lifestyle buyers prefer highly amenitized projects that include secured access to the units and parking, fitness centres, spacious floor plans, walk-in closets, modern kitchens, plenty of storage and top of the line interior features.

Best-selling Projects and Homebuyer Profiles

To gather examples of projects that successfully sold to a variety of homebuyers, we searched *Builder Magazine's* database of best selling projects. We then selected those that were representative of not only the seven buyer profiles, but also the top 10 markets with the largest number of building permits issued in 1998. Selections were based on architectural styling common to a given market area as well as the price points typically paid by buyers in those areas. Using information garnered from *Builder Magazine* and other sources, we summarized the projects' characteristics in terms of location, builder, price range, unit size range, density, sales rate, target market and popular features. A photo of a home from each project is also presented in Exhibit III-3.

Product styling, price and popular features vary across buyer profiles as well as the different market areas. Common architectural styling features of homes found in the Midwest, South and Northeast are typically more traditional, displaying exterior accents of wood siding and brick facing, porch railings, covered porches, pitched and shingled roofs and exterior window shutters. Also, materials such as storm and thermopane windows and insulated exterior doors are popular in areas that experience harsh winter weather (the Northeast and Midwest) and where such building materials help to reduce winter utility costs. Areas in the South that experience high heat and humidity, such as Georgia, South Carolina, Alabama, Louisiana and parts of Texas, use specially treated wood products or other materials such as vinyl or brick siding that either deter occurrences of wood rot or reduce maintenance requirements. The exception to this is Florida, whose new homes often feature Mediterranean styling with stucco siding and tile roofs.

New homes built in the West provide an eclectic mixture of all styles and vary within the region itself. For example, in the arid climates of Arizona, Nevada and Southern California, the

Mediterranean style home is common, featuring stucco siding and tile roofs. While some of these features are preferential, they have practical implications as the stucco siding and tiled roofs are far safer than other exterior materials in areas prone to brush fires. Other areas in the West, such as Denver, Salt Lake City, Northern California and Pacific Northwest, tend to lean more toward traditional styling of homes that feature more wood and brick materials.

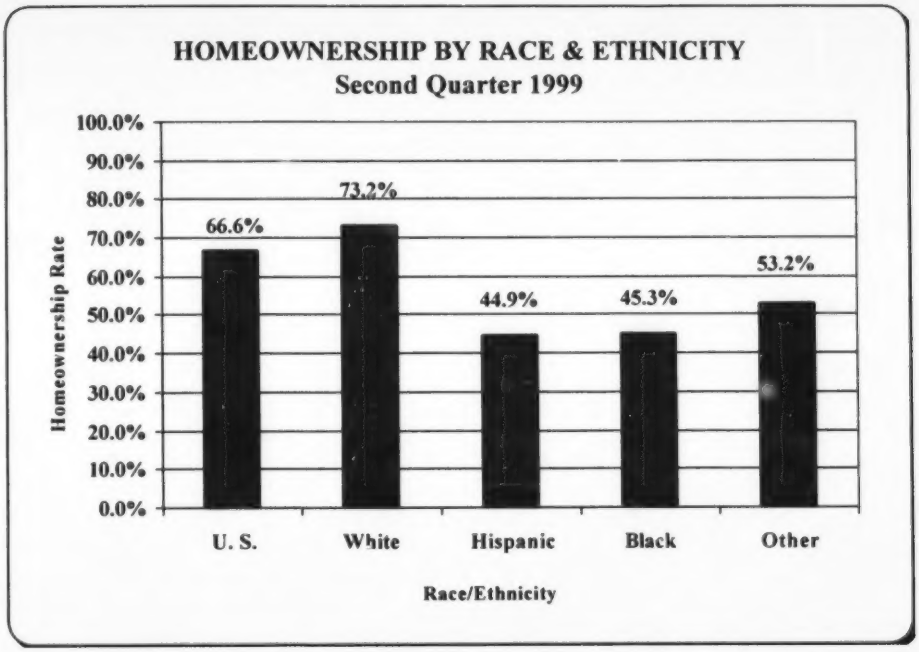
Building materials used in homes marketed to the different buyer segments will vary in type and cost. Since affordability and ease of maintenance are key concerns of entry-level, empty-nester and retired homebuyers, homes built for these groups require materials that are low-cost and easy to maintain. Building materials that add actual and perceived value to a home are typically used in homes for the second and third move-up and luxury buyers. Canadian manufacturers of upgraded millwork products, cabinetry, windows and doors and architectural components would benefit by targeting builders who supply housing to higher-end markets.

The successful planning, design and marketing of homes requires researching buyer preferences as well as the features of successfully marketed projects. Exhibit III-2 provides a summary matrix of the product types, success factors and preferences typical to buyers in each of the profile segments. Because it is not unusual for buyers in one profile segment to have preferences common to those in another segment, cross-over from various groups often occurs in the selling of a project. A project's appeal to a broad-based market, rather than to a narrow margin within one target market, affords greater chances for success and rapid sales rates.

Minority Homeownership

Over the last five years, households of all ages and races have gained in homeownership. Although every age segment and race has made progress towards increased homeownership rates, gains among low-income and minority households are particularly dramatic. Low interest rates, more flexible underwriting and specially tailored mortgage loan programs have contributed to this trend. For example, according to the Harvard Joint Center for Housing, between 1993 and 1997, there was a 38 per cent increase in loans made to low-income homebuyers, compared to a 25 per cent for higher-income buyers. During the same period, minority groups increased their share of home ownership from 25 per cent to 30 per cent nation-wide.

Despite the improving trends of ownership among minorities, the gap between minority and white ownership has barely narrowed in recent years. Furthermore, a study conducted in 1997 by the U. S. Census bureau found that that foreign-born immigrants who entered this country before 1970 had significantly higher rates of ownership than did either immigrants who entered this country after 1970 or native-born minorities. Reasons for these trends are complex, but are generally attributable to recent immigrants' and native-born minorities' lower levels of education, job skills, income, personal wealth and household composition that affect their propensity to become homeowners. This finding also supports the notion that the gap between minority and white homeownership will remain until there is widespread improvement in the socio-economic conditions found among minorities.



Shown in the graph above are the homeownership rates for various race and ethnic groups as of the second quarter, 1999. The homeownership rate remained the highest for White non-Hispanic householders at 73.2 per cent. However, current population trends indicate that minorities will continue to make up a growing share of all households. As immigration flows and the aging of the resident minority population help to lift the minority share of net additional homeowners, they will provide an expanding pool of potential owners during the next decade.

Appealing to a Diverse Marketplace

More and more homebuilders are beginning to realize that the face of American homebuyers is changing and that it no longer typifies the White married couple with two-point-something children looking to buy a typical two-story, three-bedroom suburban home. The face of the American homebuyer is now multi-ethnic, bringing to the home marketplace a cultural plethora of preferences and needs. According to a 1997 study conducted by the Chicago Title and Trust Company, home sales to minority buyers rose by 27.7 per cent between 1996 and 1997. It was also found that minority buyers tend to buy new homes (77.8 per cent) as opposed to a resale home (22.2 per cent). Considering the rise in minority ownership and their tendency to buy new, a builder greatly benefits from careful marketing and merchandising of a project to better reach a diverse buyer market.

An example of how builders are addressing preferences of ethnic and racially diverse buyers would be the practice of incorporating principles of Feng Shui into the house plans of a project where there is a high proportion of Asians in the buyer market. Feng Shui is an ancient Eastern philosophy of design and placement of building elements to maximize energy flows in and around a physical environment and its principles are widely held by Asian buyers. For example, according to Feng Shui principles, alignment of front and back doors allows good spirits and energy to pass through a house without ever stopping to award good fortune to the residents.

Paying attention to colour schemes, selection of materials and cabinetry and furnishing styles can have dramatic effects in reaching a more diverse buyer market. Research shows that minorities, especially Blacks, while they prefer bright interiors and open areas, are also attracted to deep, rich colours, such as jewel tones, deeply textured materials and natural wood and stone for the home decor. Asians on the other hand, prefer contemporary styles with sleek materials, bright interiors and contrasts between dark and light (black or bright and primary colours against a light background).

Conclusions

Builders know that enormous differences in preferences occur among buyers and that it is best to appeal to the local community by being sensitive to preferences and needs of households comprised of varying social composition. By offering flexible floor plan options and customization options, builders may be better positioned to accommodate a wide variety of buyers. For example, many minority households commonly have large or extended families living under one roof. By offering flexible plan options, the minority buyer with a large household could maximize the number of bedrooms while a smaller household could create a home office or larger family room with the same floor plan.

Key concepts in building for diverse populations are sensitivity and flexibility. These concepts can be incorporated into the planning and building process by offering house plans that serve the needs and preferences of the marketplace. Likewise, the merchandising of the product should reflect the lifestyle of potential buyers and the marketing plan should be flexible enough to be changed if interest is shown by a segment of buyers that can be reached in greater depth through alternating advertising and promotional programs.

There are regional differences as well as differences among the buyer profile segments for a home's design, features and amenities. Generally, more traditional styling that places greater emphasis on

wood accents and millwork products are found in the Midwest, Northeast and some areas of the South. Entry-level, empty-nest and retired buyers prefer lower-cost homes that are easy and inexpensive to maintain; thereby requiring fewer expensive upgrades or specialty products. Furthermore, the growing homeownership among minorities has many implications for the building industry and manufacturers of building products. Since minorities prefer to buy new homes, there will be increased demand for new home design and products that will appeal to a more diverse buyer market.

THE SUPPLIER INDUSTRY

We conducted two surveys to test current conditions in the U.S. homebuilding industry with respect to the purchasing of building materials. The surveys (a fax-out and a more in-depth telephone survey) were aimed at purchasing agents for homebuilders. The surveys are included as Appendices A and B.

Purchasing Decisions And Materials Shortages

Methodology

A fax questionnaire was sent to approximately 200 homebuilder material purchasing professionals throughout the United States. The survey was directed to randomly selected homebuilders in various market areas. The selected market areas included: California, Arizona, the Pacific Northwest (Oregon, Washington), the Midwest (Minneapolis, Illinois), New England (New Jersey, Pennsylvania, Washington D.C. area) and Florida. We have received 16 responses.
The fax-out survey included questions in two areas. The first asked respondents to rank listed criteria for material purchasing decisions. The top four responses are presented for various types of building materials. The second question asked respondents about the frequency of supply shortages for various types of materials. The building materials that respondents were asked about in both questions included the following:

- Windows and doors
- Beams, rafters and crossovers
- Hardwood flooring
- Moulding, stairs
- Cabinets
- Shelving
- Roofing

The respondents can be summarized as follows (refer to Q1 and Q2):

Primary Area of Operations:	
Mid-Atlantic (New Jersey, New York, Pennsylvania)	6%
Great Lakes (Illinois, Indiana, Michigan, Ohio, Wisconsin)	6%
Plains (Iowa, Kansas, Minnesota, Missouri, North Dakota, South Dakota)	12%
South Atlantic (Delaware, District of Columbia, Florida Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia)	24%
Mountain (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming)	47%
Pacific (Alaska, California, Hawaii, Oregon, Washington)	6%
Sales Per Year:	
1 to 25 Homes	2%
26 to 50 Homes	5%

51 to 100 Homes	18%
101 to 250 Homes	12%
251 to 500 Homes	18%
Over 500 Homes	46%

In order to identify the most important criteria used by homebuilders in making a decision to select a supplier, a small number of purchasing agents were also surveyed by telephone. Telephone survey respondents generally identified price, quality and relationship with supplier as the most important criteria in making supplier decisions. In order to test purchasing decision trends, other criteria such as electronic order tracking and nationality of supplier were added for the fax-out survey. For purposes of this survey, the most important criteria were outlined as follows:

Ease of use–Installation
Electronic ordering–Order tracking
Loyalty–Preferential treatment shown
Name recognition (by homebuyer)
Nationality of supplier
Price
Quality–Durability
Relationship–Past experience
Speed of delivery

Findings

Top Criteria for Materials Purchasing Decisions

For each of the building material types surveyed respondents were asked to rank the top four criteria from among those listed for each building material type. The following table summarizes the overall conclusions and a few of the more interesting conclusions are discussed in further detail below.

What are the top 4 criteria regarding the decision to select a supplier for the following materials?							
	Windows/ Doors	**Beams/ Rafters Crossovers**	**Hardwood Flooring**	**Molding/ Stairs**	**Cabinets**	**Shelving**	**Roofing**
Most Important	Quality/ Durability	Price	Quality/ Durability	Quality/ Durability	Quality/ Durability	Price	Price
2nd Most Important	Price	Quality/ Durability	Price	Price	Price	Quality/ Durability	Quality/ Durability
3rd Most Important	Speed of Delivery	Speed of Delivery	Speed of Delivery	Speed of Delivery	Speed of Delivery	Speed of Delivery	Speed of Delivery
4th Most Important	Relationship/Past Experience with Supplier	Relationship/Past Experience with Supplier	Relationship/Past Experience with Supplier	Relationship/Past Experience with Supplier	Relationship/Past Experience with Supplier	Relationship/Past Experience with Supplier	Relationship/Past Experience with Supplier

The key findings were:

- Quality and price are by far the top criteria used to make a supplier selection. For each material type, price and quality were either the most important or second most important factor.
- Speed of delivery was the third most important criteria across the board. All respondents chose quick delivery as third most important criteria behind price and quality.
- Relationship–Past experience with supplier was usually the fourth most important criteria in making a supplier decision. An existing relationship is important, but clearly is not enough if

price, quality and delivery speed are not satisfactory. Our more in-depth surveys with purchasing agents also indicate the purchasing decisions can be changed by a better deal. With the exception of lumber, most contracts are relatively short term or on a job-by-job basis and supplier relationships can be dislodged by a better deal.

- Ease of use–Installation was important in the Beams, rafters and crossovers product category. Unlike the other materials, respondents ranked Ease of use–Installation as the fourth most important selection criteria.
- Nationality of the supplier does not appear to be a key decision making factor for any of the building materials listed. None of the respondents listed the nationality of the supplier as one of the top four selection criteria. This indicates that U.S. homebuilders are apparently open to material suppliers from outside the United States (so long as price, quality and delivery speed are competitive).
- Electronic order tracking–Ordering does not yet appear to be an important decision criteria. This was chosen as an important criteria by only two respondents, both large volume builders (250+ homes per year). Our more in-depth surveys also suggest that this advanced technology is not widespread in the industry (most ordering is still done the "old" way. As the technology is further developed, more widespread usage of these systems is likely.

Frequency of Materials Shortages

Finding enough materials to build houses in the context of strong housing demand seems to be a problem throughout the country. The severity of materials shortages is hard to quantify because measurement techniques are limited. The National Association of Homebuilders has a Building Materials task force that conducts builder surveys to quantify these problems. The main factors contributing to the materials shortage is high activity. While housing starts have not exceeded past records, the total square footage of homes is at record levels.

Respondents were asked to identify the frequency of materials shortages (for the indicated materials) in the past two years. For each material, respondents were asked to characterize the frequency of shortages in the past two years as Frequently, Occasionally, Rarely or Never. The following table summarizes the overall conclusions and a few of the more interesting conclusions are discussed in further detail below.

How often have you experienced shortages in the last two years for the following materials?

	Windows/ Doors	Beams/ Rafters Crossovers	Hardwood Flooring	Molding/ Stairs	Cabinets	Shelving	Roofing
Frequently	12%	0%	0%	0%	0%	0%	6%
Occasionally	18%	13%	0%	0%	47%	0%	41%
Rarely	46%	31%	40%	40%	18%	18%	29%
Never	24%	56%	60%	60%	35%	82%	24%

The key findings were as follows:

Few of the target materials have experienced frequent shortages in the past two years. With the exception of Windows–Doors (12 per cent) and Roofing (six per cent), none of the respondents indicated frequent shortages of the selected material types in the past two years. Shortages have been

expressed recently for drywall and engineered strand board (OSB). Insulation and brick shortages have also been experienced.

Occasional shortages have been experienced in more categories. Occasional shortages appear to be common for Cabinets and Roofing products (occasional shortages was the top choice in percentage terms) and are also experienced at times in the past two years for Windows, Doors and Beams, Rafters and Crossovers. These answers indicate that supply imbalances for these selected products are most acute in the Cabinets, Roofing and Windows and Doors categories.

- Shortages of Shelving products have been rare in the past two years. Eighty-two per cent of respondents indicated that they never experienced shortages of Shelving products and the remaining 18 per cent classified Shelving shortages as rare.
- A significant factor in lumber is trade restrictions with Canada. The U.S.-Canada Softwood Lumber Accord sets tariffs and quotas on Canadian lumber entering the United States (on a quarterly basis). Lumber shortages exacerbate when quarterly quotas are met. The current trade agreement is scheduled to expire in 2001.

The tabulated results are presented in the Appendix.

Purchasing Processes

Methodology

Responses for the purchasing processes survey were collected through telephone interviews. The survey instrument was initially sent via fax to 32 purchasing agents and managers of randomly selected homebuilders throughout the United States. A week after faxing the questionnaire, each recipient was then telephoned and responses were taken in a telephone interview. The selected market areas included: California, the Mountain areas (Colorado, Nevada and Arizona), the Pacific Northwest (Oregon and Washington), the Midwest (Minnesota and Illinois), New England (New Jersey, Pennsylvania) and the South Atlantic (Florida). Responses were collected from eight purchasing agents and managers representing companies located in the Great Lakes (Illinois), the Plains (Minnesota), the South Atlantic (Florida), the Mountain areas (Colorado, Nevada and Arizona) and the Pacific (California and Washington).

Primary Area of Operations (based on frequency of response):

- Mid-Atlantic (New Jersey, New York, Pennsylvania) 8%
- Great Lakes (Illinois, Indiana, Michigan, Ohio, Wisconsin,) 17%
- Plains (Iowa, Kansas, Minnesota, Missouri, North Dakota, South Dakota) 17%
- South Atlantic (Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia) 17%
- Mountain (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming) 25%
- Pacific (Alaska, California, Hawaii, Oregon, Washington) 17%

The telephone survey included questions that pertained to the strategies and processes involved in the purchase of certain building materials. Generally, respondents emphasized the quality, service and price of services and materials as the determining criteria for using suppliers and subcontractors.

For the purposes of this survey, the purchasing agents were questioned about the following building materials:
Windows and doors
Beams, rafters and crossovers
Hardwood flooring
Moulding, stairs
Cabinets
Shelving
Roofing
Drywall

Findings

Quality of Materials and Service

A majority of the respondents indicated that the building materials they used were of the same quality as those used by a competitor. However, some were careful to point out that they used the same quality products and materials for equally priced homes of a competitor. We noted that:

- A majority of respondents indicated that they would not pay higher prices for better quality products if the homebuyer could not tell the difference. Of those who would pay higher prices, they all indicated that they would do so if the better quality product reduced the likelihood of problems and service issues at a later date.
- Almost all the respondents indicated that they would pay higher prices for better quality service. The reasons stated were that higher quality services (i.e., reliability, ability to meet schedules, etc.) usually resulted in cost savings further down the line.

Relationships with Suppliers

A supplier's ability to establish a long-term relationship with a builder is dependent upon satisfactory prices, quality of service and speed of delivery. However, of these three criteria, our survey found that when buying building materials purchasing agents' primary concern is pricing and changing suppliers often results when a better price can be found.

- Price increases, poor service, not meeting delivery schedules and availability of products were cited as the main reasons for switching suppliers. All respondents indicated that their suppliers were an integral part of their home building process and that for that reason it was important that suppliers were able to meet production schedules with on time delivery. Other trades on a job site are affected by delayed or incomplete deliveries.
- Several respondents indicated that the integration of suppliers in the building process included the homebuyer as well. By supplying information about the construction, engineering and materials in a product that can be passed on to the homebuyer, suppliers become a part of the marketing effort. Such information is especially important in marketing when it educates the homebuyer about materials that save energy costs, contribute to green building, or is a new product.

Purchasing and delivery of materials

- Most materials are delivered to the job site through distributors or subcontractors and only a small portion is shipped directly from a manufacturer. Several respondents indicated that the

only items that are delivered direct from manufacturers are the appliances, which are a direct purchase in most cases.

- The length of pricing contracts depends on the type of material, but generally the higher the volatility of the price, the shorter the pricing contract. For commodities such as lumber, where there is frequent change in prices, contracts usually range from two to six months. For products that have more price stability, contracts are usually for one year or more.
- Typically, materials are delivered to the job site a day or two before installation. The primary concern here has to do with efficiency of time and cost and purchasing agents schedule deliveries as close as possible to when installation occurs to prevent materials sitting on the site and being exposed to weather or possible theft.

The minimum response time required between placing the order and receiving the goods ranges between two and four weeks. Most respondents said the ideal time frame is two weeks and all said that they look for another supplier if the delivery is longer than four weeks. This would likely preclude the ability of Canadian building materials suppliers to service the parts of the country that could not be supplied within this time frame (likely Texas, California, Arizona and Nevada).

Types and sources of materials

- None of the companies were vertically integrated, nor did they use technology to track inventory. All respondents agreed that vertical integration does not improve delivery of products to the job site, because it does not eliminate competition to secure products. Only one respondent indicated that at one time his company owned a builders' supply and lumber operation, but it did not increase efficiency in pricing or delivery. As a result, the company sold the operation. They all felt that because they did not stockpile inventory, there was no need to track it. Most said they use special software programs to track purchase orders and invoicing only.
- The most common pre-assembled products were truss joists, stairs, floor joists and cabinets. Other components included crossovers, beams, rafters, wall panels/assemblies, door frames (pre-hung) and window assemblies.
- Half of the respondents indicated that they use green building materials, with the most common products being plywood, drywall and insulation. All of the purchasing agents who represented companies located in the Mountain area (Colorado in particular) said they participate in local green building programs and that homebuyers are increasingly aware of the types of "green building" products. Whether or not they use green building products, or agreed with their effectiveness in lessening pollution, all agreed that green building was not a fad and that it will eventually become a permanent trend in the industry.

Use of the Internet for information and pricing and ordering of materials

- All the purchasing agents used the Internet for general information on the building industry and new products. The Web sites of Professional Builder (<probuilder.com>), Builder Magazine (<builderonline.com>) and the NAHB were cited as the most commonly used Web sites for general industry information.
- Using the Internet to find suppliers and get product specification reduces the need for catalogues and speeds the time in finding new products. Although all respondents agreed that the use of the Internet shortened time to find suppliers and get product specifications, none of

them used it for price comparisons. Additionally, none placed any orders over the Net because they felt that not all questions could be answered by the Web site (availability, delivery time and so on) and phone calls would have to made anyway.

Overall Conclusions

Quality and Price are most important in making purchasing decisions. Both surveys showed that price and quality were the number one and two important factors in making building materials purchase decisions. Speed of delivery is also an important factor (within two weeks was cited as the ideal delivery time, while four weeks is considered too long).

Nationality is not an important factor in making materials purchasing decisions. None of the respondents cited the nationality of the supplier as an important decision criteria. This indicates openness to Canadian suppliers (and those from other nations). However, concern with the speed of delivery may be a practical constraint in meeting the needs of homebuilders in certain areas of the country.

There have been some building materials shortages in the past few years. The percentage of frequent or occasional shortages range from 6% - 47% of certain materials, such as roofing, windows and doors, cabinetry, and beams/rafters and crossovers. These shortages appear to provide opportunities for new suppliers to address the U.S. home building industry (so long as adequate supplies can be delivered as needed and within the required timeframe).

Homebuilders will generally not pay more for quality unless buyers see it. Builders are anxious to control costs. Homebuyers are concerned with quality in some areas (windows, doors, cabinets and so on) and homebuilders will spend more in those areas. Cost is more important for things that buyers cannot "see" (or perceive as adding value).

Green building materials are increasingly in use. Green building materials are increasingly being used, particularly where green materials represent the lower cost product. Often cited was the use of PBS board to replace more expensive plywood.

The Internet is not a major tool in making purchasing decisions. Builders are looking to the Internet at this point primarily as an information source, particularly in new markets. None of the builders surveyed reported using the Internet to do price comparisons or place orders. The increased use of the Internet in business will likely lead to growth in this area, particularly if auction type Web sites are developed to trade building supplies.

DESIGN CENTRES

Design centres have become an integral part of some builders sales strategy, particularly for larger builders who can build a central design centre facility and use it to service a number of new home subdivisions. Design centres range from under 46.5 m^2 (500 sq. ft.) to 1,394 m^2 (15,000 sq. ft.) and display a wide range of options, upgrades and materials that can be chosen by homebuyers to enhance a basic house.

The design centre approach makes it easier for buyers to make changes and is aimed at making it more efficient and profitable for the builder to offer alterations, additions and options to a base production house. For builders, a design centre can generate higher gross margins with an investment in building the centre and stocking the inventory. Because of this upfront investment, design centre use is generally limited to larger builders who can service a number of projects within a reasonable commuting distance. Smaller builders use an on-site display centre with a more limited array of options (usually flooring, cabinets, window coverings, counter surfaces and lighting) or rely on sales agents to outline options with presentation materials. Still other builders prefer to offer a home with desired upgrades built into the price (this limits buyer customization opportunities, but may streamline production).

Demographic trends favour continued attempts by builders to accommodate customization with selling tools like design centres. While customs and options are a process that can slow production homebuilding, consumers are getting used to the ability to individualize their homes. Major homebuying groups include older households (who have the money and experience to customize their homes to their tastes) and Generation X (20s to mid-30s), a lifestyle group that does not favour a "cookie cutter" approach to housing. Baby boomers continue to fuel demand for move-up housing (which is generally more upgraded).

Despite increased builder accommodation of homebuyer customization requests through use of design centres, there has been some retreat. Customization slows construction. While some major builders (Kaufman & Broad) continue to offer basic homes and extensively use design centres, other big builders (Lennar) have reduced customization options to speed up production. Lennar is trying to keep its costs below competitors by building homes with "Everything Included" (the name of their program) and including all the options buyers really want in the base price. Lennar conducts significant research to determine buyer preferences. By limiting changes, Lennar hopes to build houses faster.

While strong housing markets may be causing some builders to disfavour things that might slow down building cycles, a softening of demand could turn that around. Customization increased in the mid-1990s as housing markets began to recover to spur sales. If it gets harder to sell homes, builders will go back to doing what is needed to satisfy consumers and make sales.

Methodology

We sent a survey to approximately 200 marketing directors of randomly selected homebuilders in various market areas. The selected market areas included: California, Arizona, the Pacific Northwest (Oregon, Washington), the Midwest (Minneapolis, Illinois), the Northeast (New Jersey, Pennsylvania, Washington D.C. area) and Florida. We received 28 responses.

The respondents can be summarized as follows (refer to Q1):
Primary Area of Operations:

- Mid-Atlantic (New Jersey, New York, Pennsylvania) 10%
- Great Lakes (Illinois, Indiana, Michigan, Ohio, Wisconsin) 4%
- Plains (Iowa, Kansas, Minnesota, Missouri, North Dakota, South Dakota) 8%
- South Atlantic (Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia) 17%
- West South Central (Arizona, Kentucky, Mississippi, Tennessee) 8%
- Mountain (Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming) 3%
- Pacific (Alaska, California, Hawaii, Oregon, Washington) 21%

A copy of the survey is included as Appendix C.

Findings

Importance of Design Centres to Corporate Strategy

Most builders, including Lennar, offer some type of "design centre" to show available options to homebuyers. In the past, it was usually on a project level. In some areas, the trend is for more elaborate design centres staffed by options co-ordinators to support a wider variety of customizing options. The challenge for production builders is to balance meeting customer desires and building efficiencies.

The size of design centres varies widely. Most builders have a relatively small facility of 46.5 m^2 (500 sq. ft.) to 1,394 m^2 (15,000 sq. ft.) serving a few projects. The mid-sized design centres are in the +/- 464.5 m^2 (5,000 sq. ft.) range and serve up to 10 active projects. Larger homebuilders like Kaufman & Broad have the largest design centres with +/- 929 m^2 (10,000 sq. ft.) facilities serving 20+ projects in a sub-regional area. K&B's largest design centre in Orange County is 1,300 m^2 (14,000 sq. ft.), but also serves projects in Orange County and the adjacent Inland Empire area (within a 45 to 60 minute drive). Offsite design centres are usually located to promote ease of access in highly visible shopping areas off major freeways and proximate to new housing concentrations.

Survey respondents were asked to characterize the importance of design centres to their company strategy in comparison to their competition.

	Very Important	More Important	Similar	Not as Important
How important are design centres to your company strategy? (compared to your competition)	43.3%	20.0%	20.0%	16.7%

The use of design centres appears to be more important or very important to the builders surveyed. This is consistent with the findings of the survey on preferred strategy (presented below), which found that the majority of builders favour offering homes with some upgraded features but allowing other options.

Typical Design Centre Revenue Per Home By Price Range

Respondents were asked to quantify the typical total design centre revenue per home for homes in selected price ranges. As could be expected, the dollar value of options and upgrades generally increases as home prices escalate (percentage increases are consistent). The respondents were asked to identify typical design centre spending, excluding structural changes. There are regional differences in structural options, with things like casitas and varying garage configurations popular in some areas, basement buildouts common in the Midwest and pool/landscaping packages common in Sunbelt areas. The survey results are tabulated below.

Home Price Range	Average Upgrade Package (Design Centre)	Percentage (on base value)
Under $125,000	$4,700	3.8%
$125,000 - $200,000	$11,071	7.4%
$200,000 - $300,000	$17,214	6.9%
$300,000 - $500,000	$25,250	8.4%
$500,000 - $750,000	$31,444	6.3%
$750,000 +	$66,250	8.8%

Some builders also indicated significant revenue items that are not design centre items. Examples include room changes, pool packages (in some areas) and basement finishing packages. Options to upgrade to a third car garage (popular where offered) would generally fall into this category.

Typical Upgrade Items

Upgrades and options are a major source of homebuilder revenue even where a design centre is not an integral part of builder strategy. Respondents were asked to identify the percentage of homebuyers that upgrade selected popular options and to indicate other options that are commonly chosen. The findings for the major options are presented below:

- Flooring, cabinet and counter surface upgrades are by far the most common. Nearly all of the respondents indicated that major percentages of homebuyers upgraded these items. Air conditioning, a third car garage (where offered) and upgraded wiring are other common option items.
- In addition to design centre options, builders get added revenue from structural options. In various regions of the country, non-design centre options include basement finishes, various room or garage configurations, pool and landscaping packages, accessory units or bonus areas over attached or detached garages and detached guest houses or casitas.

Percentage of Buyers Upgrading the Following:	Flooring	Counters	Window Treatments	Wiring	Air Conditioning	Cabinets	Landscaping
Range of Answers	10% to 100%	5% to 100%	2% to 30%	10% to 100%	3% to 100%	10% to 100%	0% to 90%
Average	71.8%	37.9%	5.9%	50.6%	29.9%	50.0%	23.0%

Other major options noted by respondents included appliances, third car garages, light fixtures, plumbing, tile on walls and floors, fireplaces and fireplace surrounds.

Homebuyer Investigation of Material Quality

- Marketing professionals surveyed were asked whether homebuyers investigate materials quality in the following areas.

Percentage of Buyers Investigating Material Quality	Windows/ Doors	Beams/ Rafters Crossovers	Hardwood Flooring	Molding/ Stairs	Cabinets	Shelving	Roofing	Dry Wall
Range of Answers	3% to 90%	1% to 25%	2% to 90%	1% to 80%	3% to 90%	1% to 80%	2% to 90%	2% to 50%
Average	26.5%	6.0%	18.4%	17.4%	42.3%	14.7%	19.6%	8.8%

Among the target materials, homebuyers are most concerned about the quality of windows and doors and cabinets. These components are highly visible. Other areas of common concern included structural items like roofing, mouldings and stairs and hardwood flooring. It should be noted that moulding and hardwood floors are buyer upgrades in most areas of the country and therefore homebuyer interest in quality is less surprising (they are choosing to pay extra for these things).

Preferred Strategy for Features and Upgrades

Respondents were asked to identify their preferred strategy with respect to options and upgrades.

What is the best strategy with regards to options and upgrades?			
	Homes under $200,000	Homes from $200,000 to $400,000	Homes over $400,000
Offer home with minimal features only, allow buyers to upgrade	39%	7%	8%
Offer a home with some upgrades included	43%	57%	29%
Offer a home with features that most buyers want already built into the price	18%	36%	63%

Most builders favour the mixed strategy of offering some upgrades as standard and allowing buyers to upgrade other things. This is particularly true in the under-$400,000 price categories.
The lowest priced homes are generally offered as "basic" or with some upgrades. In order to control cost to buyers, the preferred strategy in lower price points is to offer minimal upgrades or include

the most common ones. Affordability is the issue, buyer option packages are generally limited at this lower price range (providing limited upgrade revenue for builders even if they were to offer it).
The expressed preference at the high-end (over $400,000) is to offer a home with most features buyers want built into the price. This likely reflects the product expectations of luxury homebuyers. Most would expect to see a certain level of product included in the price. Options and upgrades are nonetheless most extensive in the luxury home categories, but are focused not on upgrading "basic" home elements but on adding luxury or accommodating unique needs.

Overall Conclusions

Design centres are an important part of builder strategy. Nearly two thirds of those surveyed reported that the use of design centres was important to their company strategy.
Upgrades and options are a significant source of added revenue. Options packages range from four per cent to nine per cent depending on the price of a home. Non-design centre options (such as structural changes, pool, landscaping) are not included in these percentages (and account for significant additional revenue). Not surprisingly, the percentage amount of options and upgrades generally increases as home prices increase.
Homebuyers investigate the quality of some building materials. Quality is noted as important to homebuyers for windows, doors and cabinets.
The best strategy for including options varies by home price. For expensive homes, the "everything included" (Lennar) approach appears preferable, while for lower priced homes, the "Kaufman & Broad" model (basic upgrades, wide choice of upgrades) is preferred.

Appendices

Appendix A Purchasing Agent Fax Out
Appendix B Purchasing Agent Phone Survey
Appendix C Marketing Director Fax Out
Appendix D Baseline Data for Demand/Supply Analysis
Appendix E Projected Growth of Population by Race and Ethnicity: 1999 to 2004

Appendix A Purchasing Agent Fax Out

THE MEYERS GROUP
REAL ESTATE INFORMATION, LLC
CONSULTING SERVICES, LLC

777 S. Pacific Coast Highway #100 • Solana Beach, Ca. 92075
(858) 792-8276 x224 Phone • (858) 792-8944 Fax

Fax

To: %{FNAME} %{LNAME}		From:	Peter Dennehy
Company:	%{COMPANY}	Phone:	(858) 792-8276 x224
Facsimile:	%{FAX}	Date:	September 16, 1999
Phone:	%{PHONE}	Re:	Purchasing Decision Survey

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

• Contents:

Please take a few moments to complete this survey we are conducting on behalf of the Canada Mortgage and Housing Corporation, which is interested in educating Canadian suppliers on doing business in the United States. Thank you very much for your time.

1. For which areas of the country are you responsible for purchasing supplies? Please check all that apply.

_____ New England (CT, ME,MA,NH,RI,VT)
_____ Mid-Atlantic (NJ,NY,PA)
_____ Great Lakes (IL,IN,MI,OH,WI)
_____ Plains (IA,KS,MN,MO,ND,SD)
_____ South Atlantic (DE,DC,FL,GA,MD,NC,SC,VA,WV)
_____ East South Central (AL,KY,MS,TN)
_____ West South Central (AR,LA,OK,TX)
_____ Mountain (AZ,CO,ID,MT,NV,NM,UT,WY)
_____ Pacific (AK,CA,HI,OR,WA)

2. For how many homes per year do you typically buy materials? Please circle one.

1-25 26-50 51-100 101-250 251-500 501+

3. For the materials listed below, please rank the most important criteria regarding the decision to select a supplier:

Decision Criteria
Ease of Use / Installation
Electronic Ordering / Order Tracking
Loyalty / Preferential Treatment Shown
Name Recognition (by homebuyer)
Nationality of Supplier
Price
Quality / Durability
Relationship / Past Experience
Speed of Delivery

Materials	Most Impt	2nd Most	3rd Most	4th Most
Example:	A C	D G		
Windows and Doors	_____ _____	_____ _____		
Beams, Rafters and Crossovers		_____ _____	_____ _____	
Hardwood Flooring	_____ _____	_____ _____		
Molding, stairs	_____ _____	_____ _____		
Cabinets	_____ _____	_____ _____		
Shelving	_____ _____	_____ _____		
Roofing	_____ _____	_____ _____		

4. For each of the following, how often have you experienced shortages in the last two years?

Materials	Frequently	Occasionally	Rarely	Never
Windows and Doors	_____ _____	_____ _____		
Beams, Rafters and Crossovers		_____ _____	_____ _____	
Hardwood Flooring	_____ _____	_____ _____		
Molding, stairs	_____ _____	_____ _____		
Cabinets	_____ _____	_____ _____		
Shelving	_____ _____	_____ _____		
Roofing	_____ _____	_____ _____		

5. Would you like a copy of the survey results (circle one)? Yes No

If so, please include your name and fax number here.

Please return via facsimile to Peter Dennehy, The Meyers Group, at (858) 792-8944.

Appendix B Purchasing Agent Phone Survey

QUESTIONNAIRE #2: PURCHASING PROCESS SURVEY
PURCHASING AGENTS
20 minute Phone Interview Questions (10 large and 20 small builders)

Background

In which of the following area(s) of the country are the new home projects you are building (check all that apply):

_____ New England (CT, ME,MA,NH,RI,VT)
_____ Mid-Atlantic (NJ,NY,PA)
_____ Great Lakes (IL,IN,MI,OH,WI)
_____ Plains (IA,KS,MN,MO,ND,SD)
_____ South Atlantic (DE,DC,FL,GA,MD,NC,SC,VA,WV)
_____ East South Central (AL,KY,MS,TN)
_____ West South Central (AR,LA,OK,TX)
_____ Mountain (AZ,CO,ID,MT,NV,NM,UT,WY)
_____ Pacific (AK,CA,HI,OR,WA)

Purchasing Strategies

We're interested in the purchasing process for the following building materials:

Windows and Doors
Beams, Rafters and Crossovers
Hardwood Flooring
Molding, stairs
Cabinets
Shelving
Roofing
Drywall

Are your building materials generally higher quality, lower quality or the same quality as your competition's (circle one)?

Higher Lower Same

Will you pay slightly higher prices for better service? Yes No

Will you pay slightly higher prices for better quality products, if the buyer cannot tell the difference?

Yes No Depends: explain _____

What's more important from a supplier: Better Service or Better Price? Service Price

What's more important from a supplier: Better Quality or Better Price? Quality Price

What would cause you to switch suppliers?

Are your suppliers an integral part of your home building process? If so, how so?

How are materials delivered to the site?

How many days do materials typically arrive before they are first installed?

How long are your pricing contracts for lumber? Cabinets? Other?

Has your company vertically integrated at all (bought or invested in suppliers)? If so, which ones and when? Has the investment been successful?

What products, if any, do purchase pre-assembled (truss joists, etc.)?

What is the minimum response time you require between placing an order and receiving the goods?

Have you used any green building materials? Yes No
Which ones?

Is this a fad or a permanent trend in the industry?

Do you ever use local retail outlets such as Lowe's or Home Depot? Yes No
How often and for what materials?

Has the evolution of these chains changed the way you do business at all? Yes No
Please explain:

Have you changed primary suppliers of any materials in the last three years? Yes No
If so, which ones and why?

Do you use technology to track inventory? Yes No
If so, please explain.

Have you used the internet to find suppliers? Yes No
If so, please explain.

Have you used the internet to place orders? Yes No
If so, please explain.

Have you used the internet to price compare? Yes No
If so, please explain.

Are there any good web sites that help you with your business? Yes No
If so, please explain.

Appendix C Marketing Director Fax Out

THE MEYERS GROUP
REAL ESTATE INFORMATION, LLC
CONSULTING SERVICES, LLC

777 S. Pacific Coast Highway #100 • Solana Beach, Ca. 92075
(858) 792-8276 x224 Phone • (858) 792-8944 Fax

Fax

To: %{FNAME} %{LNAME}		From:	Peter Dennehy
Company:	%{COMPANY}	Phone:	(858) 792-8276 x224
Facsimile:	%{FAX}	Date:	September 16, 1999
Phone:	%{PHONE}	Re:	Design Center Survey

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

• Contents:

Please take a few moments to complete this survey we are conducting on design centres. We will be happy to provide you with the survey results. Thank you very much for your time.

1. In which of the following area(s) of the country are the new home projects you are building (check all that apply):

_____ New England (CT, ME,MA,NH,RI,VT)
_____ Mid-Atlantic (NJ,NY,PA)
_____ Great Lakes (IL,IN,MI,OH,WI)
_____ Plains (IA,KS,MN,MO,ND,SD)
_____ South Atlantic (DE,DC,FL,GA,MD,NC,SC,VA,WV)
_____ East South Central (AL,KY,MS,TN)
_____ West South Central (AR,LA,OK,TX)
_____ Mountain (AZ,CO,ID,MT,NV,NM,UT,WY)
_____ Pacific (AK,CA,HI,OR,WA)

2. In comparison to your competition, how important are design centres to your company strategy?

___ Very Important _____ More Important ____ Similar ___ Not as important

3. Approximately how many design centres are in your metropolitan area? _____

4. How many total subdivisions do they serve? _____

5. What would you estimate is the average distance between your subdivisions and the design center?

_____ miles

6. How many square feet is the typical design center? _____

largest design center? _____

7. What would be the typical total design center revenue per home sold for homes in each of the following price ranges?

Home Price	Retail Value
Under $125,000	$_____
$125,000—$200,000	$_____
$200,000—$300,000	$_____
$300,000—$500,000	$_____
$500,000—$750,000	$_____
$750,000 +	$_____

8. Approximately what percentage of your buyers upgrade the following

Flooring _____%
Countertops _____%
Window treatments _____%
Wiring _____%
Air conditioning _____%
Cabinets _____%
Landscaping _____%
Other _____ _____%
Other _____ _____%
Other _____ _____%
Other _____ _____%
Other _____ _____%

9. What percentage of your buyers investigate the quality / durability of the following?

Materials	Percentage
Windows and Doors	_____%
Beams, Rafters and Crossovers	_____%
Hardwood Flooring	_____%
Molding, stairs	_____%
Cabinets	_____%
Shelving	_____%
Roofing	_____%
Drywall	_____%

Which is the better strategy?

For homes under $200,000:

_____ Offer a home with minimal features only and allow the buyer to upgrade

_____ Offer a home with some upgraded features included

_____ Offer a home with features that most buyers want already built into the price

For homes from $200,000 to $400,000:

_____ Offer a home with minimal features only and allow the buyer to upgrade

_____ Offer a home with some upgraded features included

_____ Offer a home with features that most buyers want already built into the price

For homes over $400,000:

_____ Offer a home with minimal features only and allow the buyer to upgrade

_____ Offer a home with some upgraded features included

_____ Offer a home with features that most buyers want already built into the price

10. How will your purchasing strategies change over the next few years, if at all?

11. Would you like a copy of the survey results (circle one)? Yes No

If so, please include your name and fax number here.

Please return via facsimile to Peter Dennehy, The Meyers Group, at (858) 792-8944.

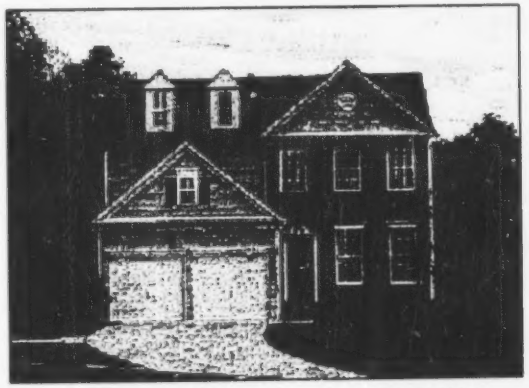
Appendix D Baseline Data for Demand/Supply Analysis

Appendix E Projected Growth of Population by Race and Ethnicity, 1999 to 2004

Exhibit III-3
BEST SELLING NEW HOME PROJECTS

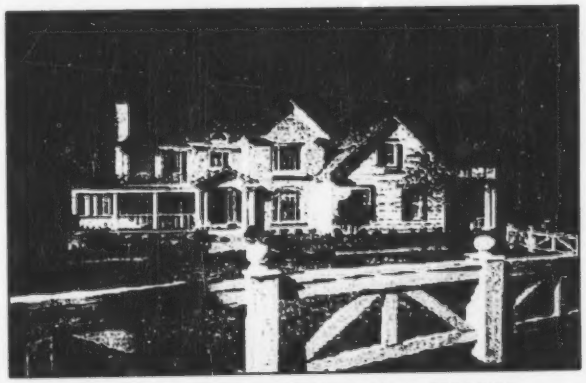
Atlanta Metro Area, Georgia

Project: Paces Club
Location: Acworth, Georgia
Builder: Pulte Home Corp., Duluth, GA



Best Selling Model: The Aberdeen (from $127,900)

Project: Compass Pointe at Windward
Location: Cumming, Georgia
Builders: Peachtree Residential Properties and Centex Homes, Atlanta, Georgia



Best Selling Model: Bentwood Cottage (from $294,000)

Price Range:	**$127,900 to $144,900**	**$294,000 to $400,000+**
Unit Size Range:	**1,801 to 2,396 Square Feet**	**2,000 to 3,900 Square Feet**
Density:	**3.2 Units Per Acre**	**1.1 Units Per Acre**
Project Sales Rate:	**13 Units Per Month**	**11 Units Per Month**
Target Market:	**Young singles and families; first-time and first move-up buyers.**	**Second and third move-up and luxury buyers**
Popular Features:	**Open floor plans** **High ceilings on first floor and vaulted ceilings on second floor** **Kitchen island in larger plans** **Large windows in back of smaller homes** **Brick accents on exterior** **Community club house, tennis courts, pool, and tot lots**	**Home buyer customization and plan options** **Wood and stone or brick exterior accents; traditional style detailing** **Desirable neighborhood (Chattahoochee River Club)** **Proximity to river and national park land** **Community trail connections to park trail systems** **Community recreation center, pool, tennis, equestrian facilities**

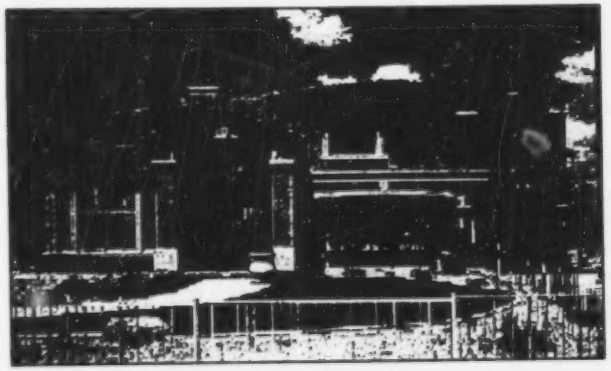
MGphotosEng.xls

Source: Builder Magazine, The Meyers Group

Exhibit III-3
BEST SELLING NEW HOME PROJECTS

Phoenix Metro Area, Arizona

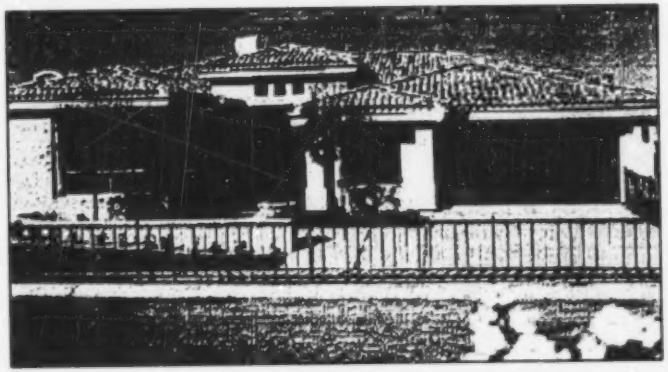
Project: Montevina at Grayhawk
Location: Scottsdale
Builder: Hancock Communities, a Beazer Co., Tempe, AZ



Best Selling Model: Plan 905 (5 bedrooms + standard game room)

Price Range:	**$235,900 to $297,400**
Unit Size Range:	**2,789 to 4,481 Square Feet**
Density:	**2.38 Units Per Acre**
Project Sales Rate:	**5 Units Per Month**
Target Market:	**Move-up families with children**
Popular Features:	**Large floorplans** **Ten foot ceilings** **Kitchen islands** **Multiple plan options** **Two-story entryways** **Within master planned community**

Project: Lincoln Place
Location: Scottsdale
Builder: Monterey Homes, Scottsdale, AZ

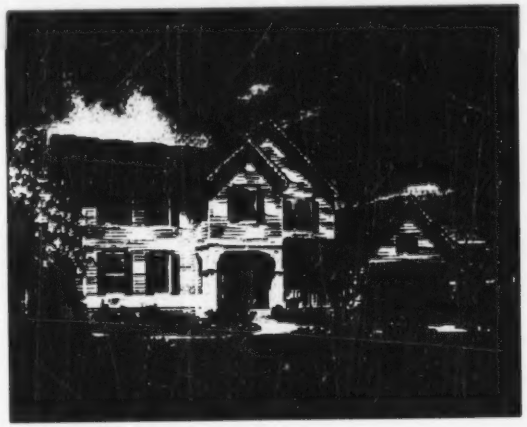


	$434,900 to $464,900
	3,126 to 3,586 Square Feet
	2.85 Units Per Acre
	5 Units Per Month
	Sophisticated move-down empty-nesters
	Resort and custom home look to community **Front yards maintained by homeowners association** **Standard 12-inch thick walls and covered back patios** **Granite counters as a standard in kitchens** **Dual-level his-and-her vanities in master bath** **24-hour gate guard**

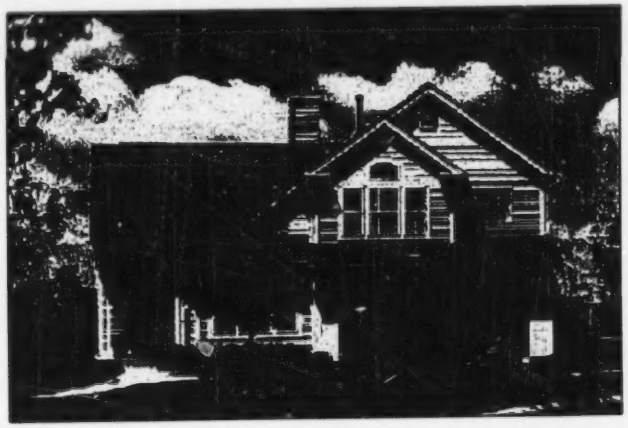
Exhibit III-3
BEST SELLING NEW HOME PROJECTS

Chicago Metro Area, Illinois

Project: Fairhills of Canterfield
Location: West Dundee
Builder: Ryland Homes, Schaumberg, IL



Project: Avalon
Location: Wheeling
Builder: Concord Homes, Palatine, IL



Price Range:	**$219,990 to $258,990**	**$207,490 to $262,490**
Unit Size Range:	**2,262 to 2,792 Square Feet**	**1,978 to 2,600 Square Feet**
Density:	**1.82 Units Per Acre**	**3.35 Units Per Acre**
Project Sales Rate:	**4 Units Per Month**	**8 Units Per Month**
Target Market:	**Move-up families with children**	**First-time and first move-up buyers**
Popular Features:	**Traditional styling** **Wood exteriors/siding accents** **Multiple plan options** **Nine foot ceilings on first and second floors** **Upgraded features, cabinetry, kitchens**	**Traditional styling** **Wood exteriors/siding accents** **Base plans that can be customized** **Open first-level with vaulted ceilings in living area** **Vaulted ceilings on second floor**

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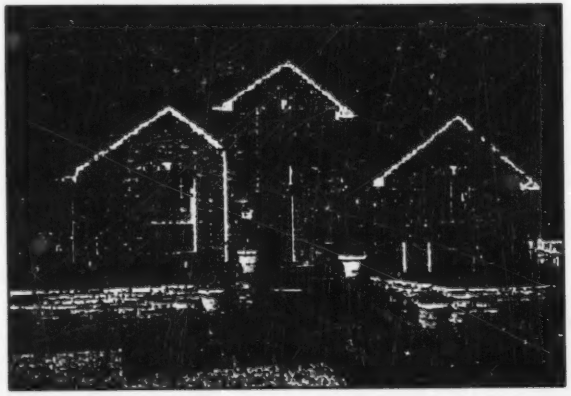
Source: Builder Magazine, The Meyers Group

Exhibit III-3
BEST SELLING NEW HOME PROJECTS

Dallas/Ft. Worth and Houston Metro Areas

Project: Oak Garden Estates
Location: Lewisville
Builder: Kaufman and Broad, Dallas



Project: Northhampton Place
Location: Houston
Builder: David Weekly Homes, Houston

Price Range:	**$109,900 to $149,900**	**$230,990 to $291,290**
Unit Size Range:	**1,464 to 2,892 Square Feet**	**1,911 to 3,022 Square Feet**
Density:	**5.2 Units Per Acre**	**10 Units Per Acre**
Project Sales Rate:	**6 Units Per Month**	**5 Units Per Month**
Target Market:	**Entry-level buyers**	**Second move-up and empty-nester buyers**
Popular Features:	**Small, low maintenance lots** **Traditional styling** **Brick exterior** **Efficient open floorplans, high ceilings** **Quality standard features, upgrade packages**	**Urban infill location in desirable neighborhood** **Small lots, low maintenance yard area** **Flexible floorplans, options for customization** **Quality and upgraded standard features** **Open plans with 2-story high ceilings in living/dining area**

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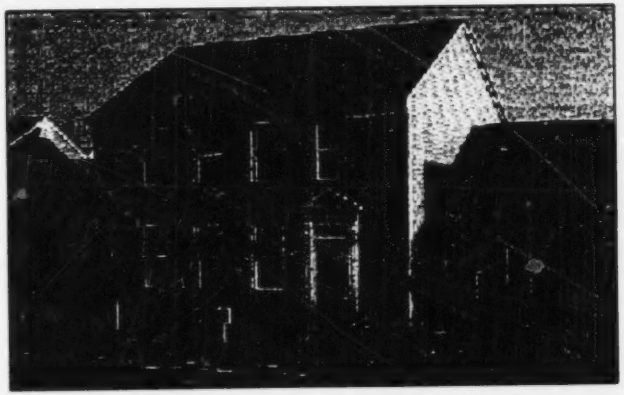
Source: Builder Magazine, The Meyers Group

Exhibit III-3
BEST SELLING NEW HOME PROJECTS

Washington, DC Metro Area - Virginia/Maryland

Project: New Colony
Location: Ashburn, Virginia
Builder: William L. Berry & Co., Rockville, MD



Project: Farmwell Hunt
Location: Ashburn, Virginia
Builder: Toll Brothers, Rockville, MD

Price Range:	**$165,990 to $177,990**	**$229,000 to $400,000**
Unit Size Range:	**1,400 to 1,900 Square Feet**	**2,398 to 3,029 Square Feet**
Density:	**7.3 Units Per Acre**	**3 Units Per Acre**
Project Sales Rate:	**8.5 Units Per Month**	**4 Units Per Month**
Target Market:	**Entry-level, first move-up, and empty-nest buyers**	**Move-up and executive buyers**
Popular Features:	**Small, low maintenance lot** **Traditional styling** **Brick exterior, with wood accents** **High ceilings on first and second floors** **Attached garage**	**Large lots in desirable area, close-in to DC** **Spacious floorplans, options for customization** **Quality and upgraded standard features** **Interior detailing that includes upgraded millwork** **Interior/exterior traditional styling**

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Source: Builder Magazine, The Meyers Group

Exhibit III-3
BEST SELLING NEW HOME PROJECTS

Las Vegas, Nevada

Project: Summer Heights
Location: Las Vegas
Builder: Astoria Homes, Las Vegas

The Sunset Model: Home of the Year, 1997

Project: San Rafael
Location: Las Vegas
Builder: Del Webb Corp's Coventry Homes, Las Vegas

Best Selling Model: The Chateau La Fleur offers a hobby room and optional fourth bedroom.

Price Range:	**$111,950 to $149,950**	**$226,990 to $321,990**
Unit Size Range:	**1,353 to 2,380 Square Feet**	**3,059 to 4,235 Square Feet**
Density:	**6.5 Units Per Acre**	**2.0 Units Per Acre**
Project Sales Rate:	**6.5 Units Per Month**	**15 Units Per Month**
Target Market:	**Move-up and empty-nester buyers**	**Equity move-up and retiree buyers**
Popular Features:	**Double-door entries, arched interior doorways** **Exterior colors in neutral tones** **First-floor master bedroom** **High ceilings on first and second floors**	**Large, spacious floorplans and several single-level plans** **Extra-large lots** **Proximity to Las Vegas and Lake Mead** **Open floorplans and spacious kitchen/family rooms** **High and vaulted ceilings**

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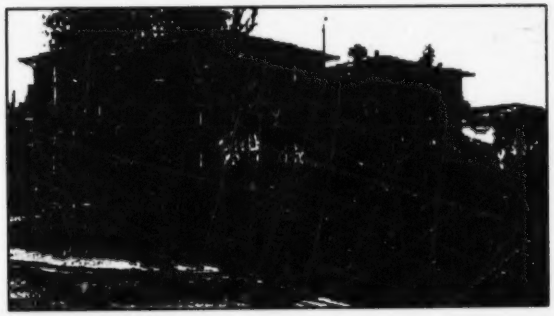
Source: Builder Magazine, The Meyers Group

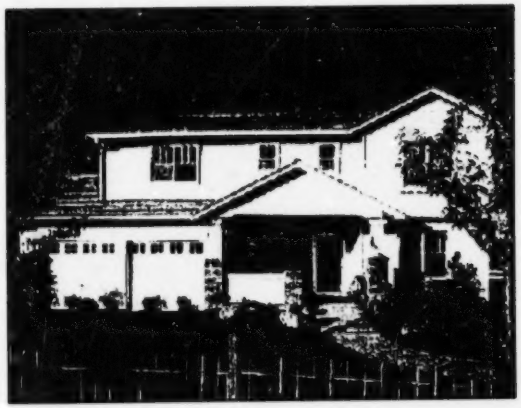
Exhibit III-3
BEST SELLING NEW HOME PROJECTS

Seattle Metro Area, Washington

Project: Renaissance
Location: Bellevue
Builder: PanTerra Homes, Kirkland, WA



Project: Scarborough at Silver Firs
Location: Everett
Builder: Centex Homes, Bellevue, WA

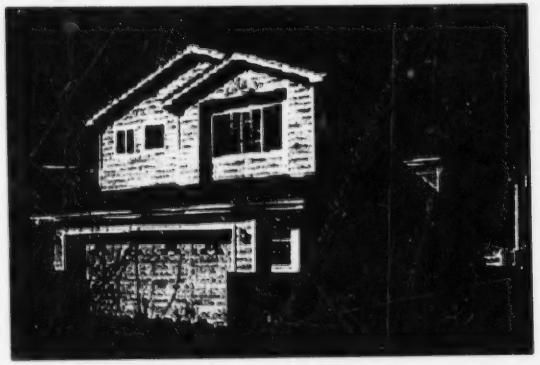


Price Range:	**$203,000 to $227,000**	**$165,000 to $190,000**
Unit Size Range:	**1,770 to 2,325 Square Feet**	**1,384 to 2,054 Square Feet**
Density:	**9.3 Units Per Acre**	**4.5 Units Per Acre**
Project Sales Rate:	**5 Units Per Month**	**12 Units Per Month**
Target Market:	**Urban-oriented first-time buyers**	**First-time and first move-up buyers**
Popular Features:	**Unique contemporary detach design** **Small lots, low maintenance yards** **Easy-care vinyl siding (very unusual for this market)** **High ceilings on first and second floors** **Attached garage**	**Numerous plan options** **Vaulted ceilings and open first-floor plan** **Recreational amenities in community** **Affordable pricing in desirable area**

Exhibit III-3
BEST SELLING NEW HOME PROJECTS

Denver Metro Area, Colorado

Project: Sierra at Highlands Ranch
Location: Denver
Builder: Carmel Homes, Denver



Project: Stonecreek at Highlands Ranch
Location: Denver
Builder: Kaufman and Broad, Newport Beach, CA

Price Range:	**$127, 950 to $146,930**	**$146,495 to $178,950**
Unit Size Range:	**1,143 to 1,825 Square Feet**	**1,386 to 2,176**
Density:	**6 Units Per Acre**	**5 Units Per Acre**
Project Sales Rate:	**10 Units Per Month**	**8 Units Per Month**
Target Market:	**First move-up families and empty-nesters**	**First-time and first move-up buyers**
Popular Features:	**Selection of floor plans that appeal to young buyers** **Small, efficient floor plans; several single level plans** **High ceilings on first and second floors** **Attached garage**	**Front and backyard landscaping included in price** **Upgraded features included** **Open floor plans and vaulted ceilings on second floor** **Affordable pricing in desirable area**

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Source: Builder Magazine, The Meyers Group

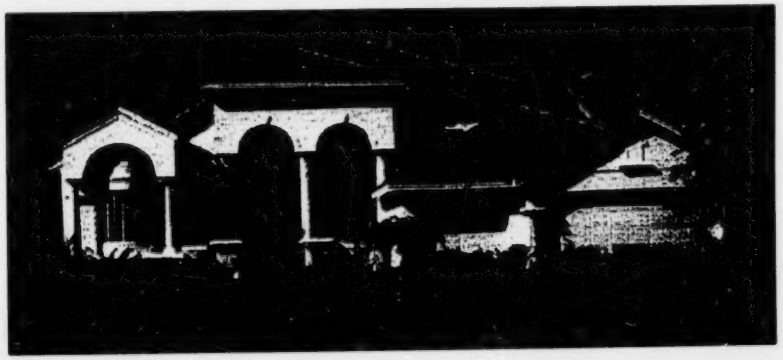
Exhibit III-3
BEST SELLING NEW HOME PROJECTS

Florida

Project: Maplewood at Jullington Creek Plantation
Location: Jacksonville
Builder: Panitz Homes, A Beazer Homes Co., Jacksonville, FL

Price Range:	**$148,000 to $220,000**
Unit Size Range:	**1,962 to 3,000 Square Feet**
Density:	**1.8 Units Per Acre**
Project Sales Rate:	**6 Units Per Month**
Target Market:	**Move-up family buyers and corporate transferees**
Popular Features:	**Selection of floor plans that appeal to family buyers** **Location in a top rated school district** **Community recreational facilities that include a clubhouse, tennis courts, pool, spa, and hiking and biking trails**

Project: Heritage Bay at Phillips Landing
Location: Orlando
Builder: Park Square Homes, Orlando



	$245,000 to $352,000
	2,240 to 3,969 Square Feet
	3 Units Per Acre
	4 Units Per Month
	Move-up families and move-down empty-nesters
	Customization of floor plans **Location in top rated school district and highly desirable area** **Standard brick driveway pavers and landscaping packages** **High grade interior and exterior moulding, hardwood floors**

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Source: Builder Magazine, The Meyers Group

US DEMAND/ SUPPLY

Top 40 Metro Areas (Sorted by Demand/Supply Ratio)

				BASELINE INFORMATION					GROWTH INFORMATION					DEMAND		SUPPLY		D/S RATIO
				TOTALS			TOTALS RATIOS		PROJECTED 5-YEAR GROWTH			GROWTH RATIOS		HOUSING DEMAND		HOUSING SUPPLY		Demand/ Supply
	Median	%																
Metro Area	Price	Ownership	Employment	Population	Households	Emp./HH	Pop./HH	Employment	Population	Households	Emp./HH	Pop./HH	5-Year 1/	Annual	5-Year	Annual	Diff./Yr.	Ratio
Source	US*IM	U.S. Census	US*IM	US*IM	CACI	Calc	Calc	RFA	CACI	CACI	Calc	Calc	Calc	Calc	RFA	Calc		
United States	$130,600	64.2%	127,008,800	272,928,770	102,437,178	1.24	2.66	9,100,000	12,703,721	5,694,753	1.60	2.23	6,681,657	1,336,331	7,020,000	1,404,000	-338,343	0.95
1 Los Angeles-Long Beach, CA	$185,000	48.1%	4,007,900	9,287,100	3,132,519	1.28	2.96	329,800	342,869	116,899	2.82	2.93	201,420	40,284	111,070	22,214	90,350	1.81
2 Salt Lake City-Ogden, UT	$135,500	73.0%	694,700	1,260,600	438,052	1.59	2.92	114,400	90,839	43,841	2.61	2.07	60,818	12,164	41,028	8,206	19,790	1.48
3 New York, NY	$193,600	34.0%	5,251,500	11,408,000	3,332,489	1.58	3.42	432,000	166,894	70,742	6.11	2.34	192,780	38,556	134,830	26,966	57,950	1.43
4 Fort Worth-Arlington, TX	$91,900	58.3%	769,000	1,631,355	622,965	1.23	2.62	99,700	177,470	78,204	1.27	2.27	79,742	15,948	55,864	11,173	23,878	1.43
5 Austin-San Marcos, TX		54.8%	616,300	1,134,100	455,383	1.35	2.49	90,600	175,618	78,681	1.14	2.20	72,039	14,408	51,382	10,276	20,647	1.40
6 Tampa-St.Petersburg-Clearwater, FL	$89,800	70.0%	1,178,000	2,280,700	947,999	1.24	2.41	163,000	142,041	50,868	3.20	2.79	99,186	19,837	71,784	14,353	27,422	1.38
7 San Diego, CA	$214,700	55.7%	1,116,300	2,624,100	1,018,626	1.10	2.77	129,600	253,972	95,578	1.36	2.66	109,187	21,837	80,472	16,094	28,715	1.36
8 Orange County, CA	$245,700	63.2%	1,325,900	2,786,300	954,454	1.39	2.90	133,100	257,350	90,229	1.48	2.85	93,579	18,716	71,544	14,309	22,035	1.31
9 Kansas City, MO-KS	$118,000	66.2%	959,100	1,752,500	678,233	1.41	2.58	77,200	91,100	37,344	2.07	2.44	47,693	9,539	37,739	7,548	9,954	1.26
10 San Antonio, TX	$88,200	62.2%	696,300	1,582,700	581,067	1.24	2.79	82,600	131,548	58,905	1.40	2.23	63,467	12,693	51,004	10,201	12,493	1.24
11 Washington, DC-MD-VA-WV	$188,100	64.5%	2,588,100	4,723,800	1,784,842	1.45	2.65	265,500	312,934	136,483	1.95	2.29	164,452	32,890	135,404	27,081	29,048	1.21
12 Dallas, TX	$120,400	58.9%	1,900,900	3,300,435	1,265,243	1.50	2.61	224,800	411,746	182,096	1.23	2.26	162,615	32,523	136,381	27,276	26,234	1.19
13 Minneapolis, St.Paul MN-WI	$131,700	72.2%	1,683,700	2,856,100	1,094,213	1.54	2.61	149,400	176,512	74,871	2.00	2.36	88,124	17,625	74,481	14,892	13,853	1.18
14 Houston, TX	$98,400	58.6%	2,178,800	4,479,500	1,484,335	1.49	3.06	237,200	398,648	160,709	1.48	2.47	160,022	32,004	137,281	27,456	22,741	1.17
15 Chicago, IL	$166,100	66.4%	4,510,500	8,855,000	2,887,338	1.56	3.07	311,000	285,542	104,572	2.97	2.73	181,278	32,256	140,455	28,091	20,823	1.15
16 Las Vegas, NV-AZ	$128,900	57.4%	684,700	1,368,100	538,583	1.27	2.54	129,400	207,900	118,885	1.09	1.75	107,211	21,442	94,530	18,906	12,681	1.13
17 Miami, FL	$133,000	53.1%	995,500	2,178,145	779,823	1.28	2.79	75,600	135,081	48,357	1.56	2.79	54,866	10,973	52,407	10,481	2,459	1.05
18 Baltimore, MD	$121,300	66.0%	1,185,900	2,480,400	938,547	1.26	2.64	91,300	49,525	26,936	3.39	1.84	53,674	10,735	51,432	10,286	2,242	1.04
19 Denver, CO	$158,000	66.5%	1,276,800	2,401,800	804,373	1.59	2.99	142,300	187,080	83,613	1.70	2.24	87,234	17,447	84,861	16,972	2,373	1.03
20 Jacksonville, FL	$91,900	67.5%	546,900	1,098,800	400,442	1.37	2.64	61,900	93,123	31,233	1.98	2.98	39,687	7,937	39,248	7,850	436	1.01
21 Detroit, MI	$136,400	72.8%	2,578,200	5,456,000	1,702,233	1.51	3.21	148,100	98,831	48,515	3.01	1.38	77,283	15,457	78,582	15,716	-1,309	0.98
22 Portland-Vancouver, OR	$165,300	62.7%	1,083,700	2,175,500	728,084	1.49	3.00	89,000	187,705	89,286	1.28	2.42	63,492	12,698	65,499	13,100	-2,007	0.97
23 Fort Lauderdale, FL	$134,900	68.3%	662,100	1,534,518	638,781	1.04	2.40	73,400	151,888	59,058	1.24	2.57	66,113	13,223	68,529	13,706	-2,416	0.96
24 Riverside-San Bernardino, CA	$107,900	67.3%	905,900	3,185,000	1,088,497	0.85	2.97	127,100	281,527	97,448	1.30	2.89	128,758	25,752	133,983	26,797	-5,225	0.96
25 Phoenix-Mesa, AZ	$123,100	66.6%	1,503,400	2,999,800	1,191,441	1.26	2.52	186,400	448,462	210,739	0.93	2.13	177,684	35,537	191,148	38,229	-13,462	0.93
26 Philadelphia, PA	$126,600	72.2%	2,315,500	4,851,800	1,832,183	1.26	2.70	100,600	8,615	14,171	7.10	0.61	53,429	10,686	58,569	11,714	-5,140	0.91
27 Columbus, OH	$123,700	60.0%	836,700	1,479,700	577,780	1.45	2.56	65,500	66,250	32,787	2.00	2.02	40,257	8,051	45,914	9,183	-5,657	0.88
28 West Palm Beach-Boca Raton, FL	$127,000	68.5%	496,800	1,047,800	440,423	1.13	2.38	67,100	98,827	38,271	1.75	2.58	51,014	10,203	58,341	11,668	-7,327	0.87
29 Atlanta, GA	$115,400	67.9%	2,079,600	3,833,900	1,465,275	1.42	2.62	287,300	532,949	221,870	1.29	2.40	210,208	42,041	242,359	48,472	-32,153	0.87
30 Seattle-Bellevue-Everett, WA	$185,300	66.3%	1,749,800	3,456,500	947,113	1.85	3.65	91,600	186,251	82,431	1.11	2.26	62,721	12,544	72,837	14,567	-10,116	0.86
31 Nashville, TN	$117,500	70.4%	854,200	1,171,500	454,012	1.44	2.58	58,300	101,780	42,221	1.38	2.41	41,184	8,233	48,293	9,659	-7,129	0.85
32 Cincinnati, OH	$117,500	75.0%	963,400	1,958,300	625,169	1.59	3.13	65,600	53,990	27,398	2.39	1.96	35,729	7,146	42,648	8,529	-6,917	0.84
33 Indianapolis, IN	$109,100	68.5%	858,000	1,530,700	600,870	1.43	2.55	79,000	74,654	35,982	2.20	2.07	47,588	9,518	58,856	11,771	-11,267	0.81
34 Greensboro-Winston-Salem-High Pt, N	$123,500	68.0%	656,100	1,178,400	471,241	1.39	2.50	58,200	72,144	31,780	1.83	2.27	37,797	7,559	48,470	9,694	-10,673	0.78
35 Sacramento, CA	$125,400	58.7%	740,500	1,708,900	590,385	1.25	2.89	86,500	126,706	49,464	1.34	2.56	51,597	10,319	68,572	13,714	-16,975	0.75
36 Oakland, CA	$311,400	62.0%	3,404,100	6,691,100	887,805	3.83	7.78	67,500	192,967	75,311	1.16	2.56	43,817	8,763	58,383	11,673	-14,566	0.75
37 Orlando, FL	$104,500	62.3%	673,900	1,536,700	581,148	1.50	2.64	120,400	184,795	70,390	1.71	2.77	78,196	15,239	104,781	20,952	-26,586	0.73
38 St. Louis, MO-IL	$100,300	69.9%	1,307,900	2,587,700	970,420	1.35	2.65	57,000	36,815	13,333	4.28	2.76	30,709	6,142	45,053	9,011	-14,344	0.68
39 Charlotte-Gastonia-Rock Hill, NC-SC	$134,000	74.7%	787,800	1,407,300	544,026	1.45	2.59	73,100	156,837	64,921	1.13	2.42	56,257	11,251	86,504	17,301	-30,247	0.65
40 Raleigh-Durham-Chapel, NC	$163,100	64.7%	674,700	1,102,700	438,882	1.54	2.51	74,300	144,529	61,184	1.21	2.36	53,472	10,694	89,507	17,901	-36,035	0.60
Averages:	$139,388	64.2%	1,483,373	3,438,339	1,031,337	1.44	2.88	133,635	181,319	75,911	2.06	2.35	87,618	17,522	92,999	18,600	4,611	1.01

1/ 5-year Employment Growth divided by Baseline Employment / Household *50% + 5-year Population Growth divided by Projected Population / HH Ratio * 20% + 5-year Household Growth * 20%